Group profit and loss account

For the year ended 31st March 1994	Notes	Before exceptional items 1994 £m	Exceptional items (note 4) 1994 £m	Total 1994 £m	1993 £m
Turnover	2	**4,167.1**	**—**	**4,167.1**	3,962.1
Operating costs	3	**(3,681.2)**	**(73.8)**	**(3,755.0)**	(3,540.9)
Operating profit (see note below)	3	**485.9**	**(73.8)**	**412.1**	421.2
(Loss)/profit on disposal of fixed assets	4	**—**	**(4.0)**	**(4.0)**	.5
Profit on disposal of businesses	23	**—**	**9.3**	**9.3**	—
Profit on ordinary activities before interest		**485.9**	**(68.5)**	**417.4**	421.7
Net interest	5	**(1.5)**	**—**	**(1.5)**	(16.5)
Profit on ordinary activities before taxation	2	**484.4**	**(68.5)**	**415.9**	405.2
Taxation on profit on ordinary activities	6	**(140.3)**	**14.0**	**(126.3)**	(124.4)
Profit on ordinary activities after taxation		**344.1**	**(54.5)**	**289.6**	280.8
Minority interests		**(1.7)**	**—**	**(1.7)**	(1.7)
Profit for the financial year attributable to shareholders	7	**342.4**	**(54.5)**	**287.9**	279.1
Dividends	8			**(156.0)**	(139.0)
Profit retained				**131.9**	140.1
Earnings per share	9	**33.0p**	**(5.3)p**	**27.7p**	27.0p

The results for both periods are wholly attributable to the continuing operations of the group.
Operating profit for the year ended 31st March 1993 has been restated to exclude profit on fixed asset disposals which is now shown separately.

Statement of total recognised gains and losses

For the year ended 31st March 1994	1994 £m	1993 £m
Profit for the financial year attributable to shareholders	**287.9**	279.1
Surplus/(deficit) on revaluation of properties	**16.8**	(223.2)
Currency translation differences on foreign currency net investments (including goodwill)	**1.7**	34.5
Other gains and losses	**.7**	(.5)
Total recognised gains and losses for the year	**307.1**	89.9

Note of historical cost profits and losses

For the year ended 31st March 1994	1994 £m	1993 £m
Reported profit on ordinary activities before taxation	**415.9**	405.2
Realisation of property revaluation surpluses	**4.8**	13.4
Difference between historical cost depreciation charge and actual charge for the year calculated on revalued amounts	**—**	.3
Historical cost profit on ordinary activities before taxation	**420.7**	418.9
Historical cost profit retained	**136.7**	153.8

Reconciliation of movements in shareholders' funds

For the year ended 31st March 1994	1994 £m	1993 £m
Total recognised gains and losses for the year	**307.1**	89.9
Dividends	**(156.0)**	(139.0)
New share capital issued (net of expenses)	**9.3**	126.2
Goodwill purchased	**(7.1)**	(1.4)
Goodwill released on disposal of businesses	**.4**	—
Currency adjustment on goodwill	**(23.7)**	(29.0)
Net increase in shareholders' funds	**130.0**	46.7
Opening shareholders' funds	**1,478.6**	1,431.9
Closing shareholders' funds	**1,608.6**	1,478.6

Balance sheets

31st March 1994	Notes	Group 1994 £m	Group 1993 £m	Parent 1994 £m	Parent 1993 £m
Fixed assets					
Intangible assets	10	**51.4**	52.1	**11.4**	9.0
Tangible assets	11	**1,463.2**	1,397.7	**214.8**	213.8
Investments	12	**57.1**	70.8	**637.5**	912.1
		1,571.7	1,520.6	**863.7**	1,134.9
Current assets					
Stocks	13	**521.6**	553.0	**164.1**	186.2
Debtors falling due within one year	14	**361.9**	341.5	**312.8**	415.0
Debtors falling due after more than one year	14	**4.2**	5.4	**197.5**	145.0
Investments	15	**491.9**	364.1	**251.8**	184.4
Cash at bank and in hand		**11.5**	10.9	**304.7**	.2
		1,391.1	1,274.9	**1,230.9**	930.8
Creditors: Amounts falling due within one year	16	**(1,010.9)**	(897.4)	**(459.3)**	(645.3)
Net current assets		**380.2**	377.5	**771.6**	285.5
Total assets less current liabilities		**1,951.9**	1,898.1	**1,635.3**	1,420.4
Creditors: Amounts falling due after more than one year	17	**(306.9)**	(385.0)	**(551.6)**	(541.7)
Provisions for liabilities and charges	19	**(29.1)**	(27.9)	**(2.9)**	(4.8)
Net assets		**1,615.9**	1,485.2	**1,080.8**	873.9
Capital and reserves					
Called up share capital	20	**260.2**	259.5	**260.2**	259.5
Share premium account	21	**204.6**	196.0	**204.6**	196.0
Revaluation reserve	21	**304.9**	292.2	**—**	—
Profit and loss account	21	**838.9**	730.9	**616.0**	418.4
Shareholders' funds		**1,608.6**	1,478.6	**1,080.8**	873.9
Minority interests		**7.3**	6.6	**—**	—
		1,615.9	1,485.2	**1,080.8**	873.9

Shareholders' funds and minority interests are wholly attributable to equity interests.

The financial statements were approved by the board of directors on 1st June 1994 and are signed on its behalf by:

Christopher Benson
Chairman

James Blyth
Deputy Chairman and Chief Executive

David Thompson
Finance Director

Group cash flow statement

For the year ended 31st March 1994	Notes	1994 £m	1994 £m	1993 £m	1993 £m
Net cash inflow from operating activities	22a		**635.9**		549.6
Returns on investment and servicing of finance					
Interest received		**38.4**		25.9	
Interest paid		**(38.4)**		(49.6)	
Dividends paid to shareholders		**(46.9)**		(214.5)	
Dividends paid to minority interests		**(.7)**		(.6)	
Net cash outflow from returns on investment and servicing of finance			**(47.6)**		(238.8)
Taxation					
UK corporation tax paid		**(92.5)**		(84.7)	
Overseas tax paid		**(16.1)**		(15.6)	
Tax paid			**(108.6)**		(100.3)
Investing activities					
Purchase of fixed assets		**(215.6)**		[illegible]	
Purchase of businesses	23	**(18.0)**		[illegible]	
Investment in and loans to associated undertakings		**(25.2)**		[illegible]	
Disposal of fixed assets		**27.0**		18.0	
Disposal of businesses	23	**36.6**		.5	
Increase in short term investments		**(65.6)**		(120.0)	
Net cash outflow from investing activities			**(260.8)**		(282.6)
Net cash inflow/(outflow) before financing			**218.9**		(72.1)
Financing					
Issue of ordinary share capital		**5.3**		4.6	
Issue of 10.125% bond 2017		**—**		250.8	
Bond issue expenses		**—**		(1.7)	
Investment in 10.125% bond 2017 (note 18)		**(120.3)**		—	
Capital element of finance lease rental payments		**(1.0)**		(3.4)	
Decrease in other borrowings		**(10.2)**		(66.7)	
Net cash (outflow)/inflow from financing			**(126.2)**		183.6
Increase in cash and cash equivalents			**92.7**		111.5

THE BOOTS COMPANY

Report and Accounts

for the year ended 31st March 1994

The Boots Company PLC
Group Head Office
Nottingham NG2 3AA
Telephone 0602 506111

Our objective is to maximise the value of the company for the benefit of its shareholders. We will do so:

— by building on our position as one of the UK's leading retailers in our chosen markets.

— by investing in the research, development, manufacturing and marketing of innovative prescription pharmaceuticals, health and personal care products throughout the world.

— through enterprising development and management of our property assets.

While vigorously pursuing our commercial interests we will, at all times, seek to enhance our reputation as a well managed, ethical and socially responsible company.

The location photographs featured in the operational review were taken during April 1994 and depict the company's commitment to quality and customer service.

The product photographs, preceding the financial statements, highlight the importance to the company of added value own brand products.

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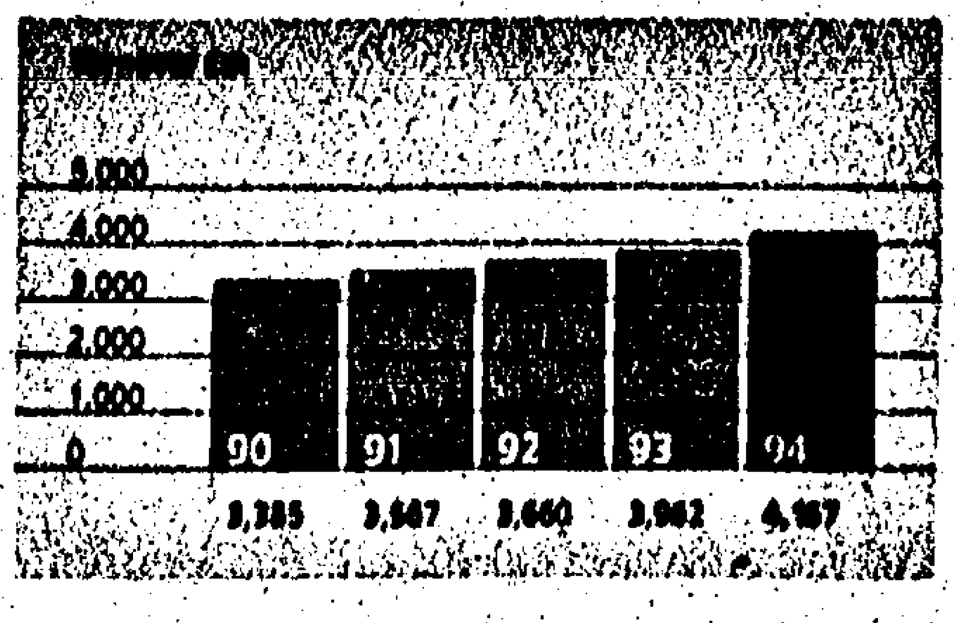
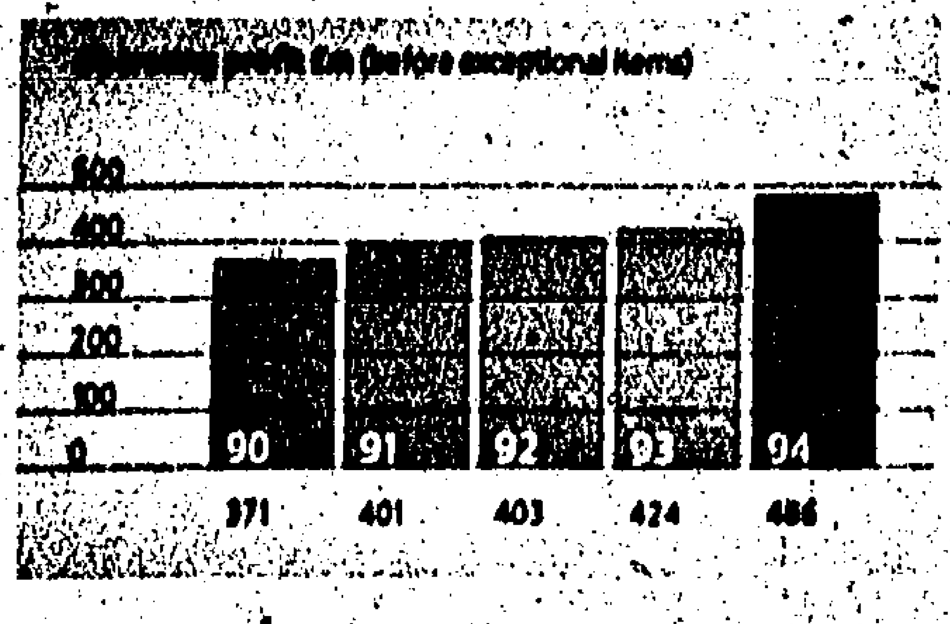
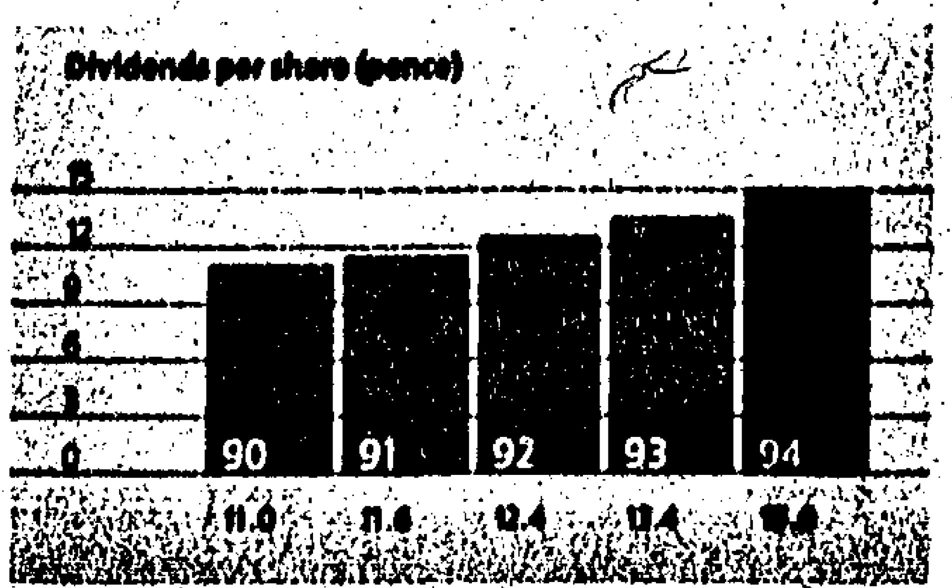
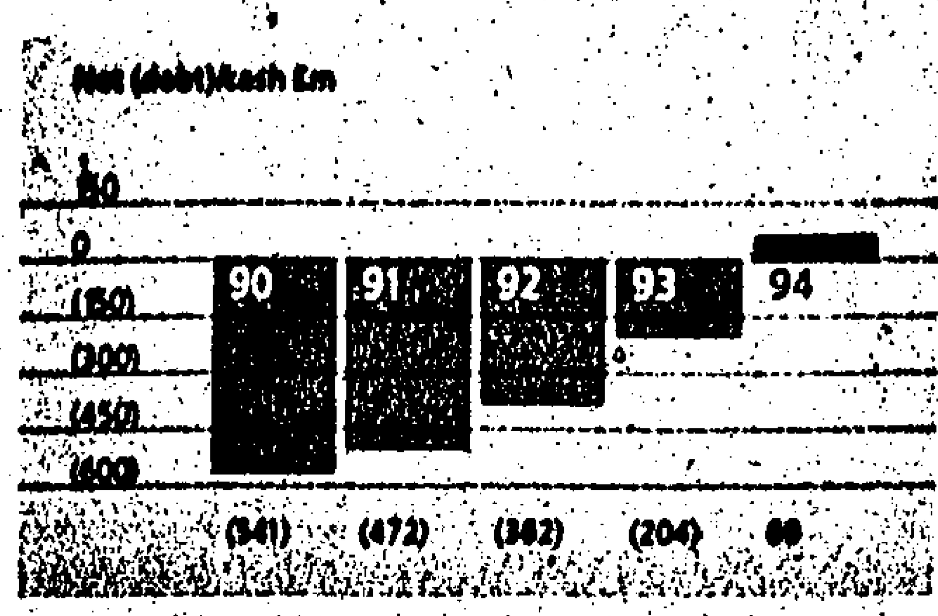
Group Financial Highlights

For the year ended 31st March 1994	1994 £m	1993 £m	Change %
Turnover	**4,167.1**	3,962.1	+5.2
Profit before tax before exceptional items	**484.4**	407.7	+18.8
Profit before tax	**415.9**	405.2	+2.6
Net cash/(debt)	**69.0**	(203.8)	
Purchase of fixed assets	**215.6**	166.4	
Research and development	**67.6**	66.8	
Earnings per share before exceptional items	**33.0p**	27.1p	+21.8
Earnings per share	**27.7p**	27.0p	+2.6
Total dividend	**15.0p**	13.4p	+11.9


4,000
3,000
2,000
1,000
0
90
91
92
93
94


(before exceptional items)
400
300
200
100
0
90
91
92
93
94
371
401
403
424
486


Dividends per share (pence)
12
0
90
91
92
93
94
11.0
11.6
12.4
13.4


Net (debt)/cash £m
0
(150)
(300)
(450)
(600)
90
91
92
93
94
(341)
(472)
(382)
(204)

Our decisions have fully reflected the principles of managing to maximise shareholder value which require us to evaluate every business and opportunity against the potential for long term shareholder return.

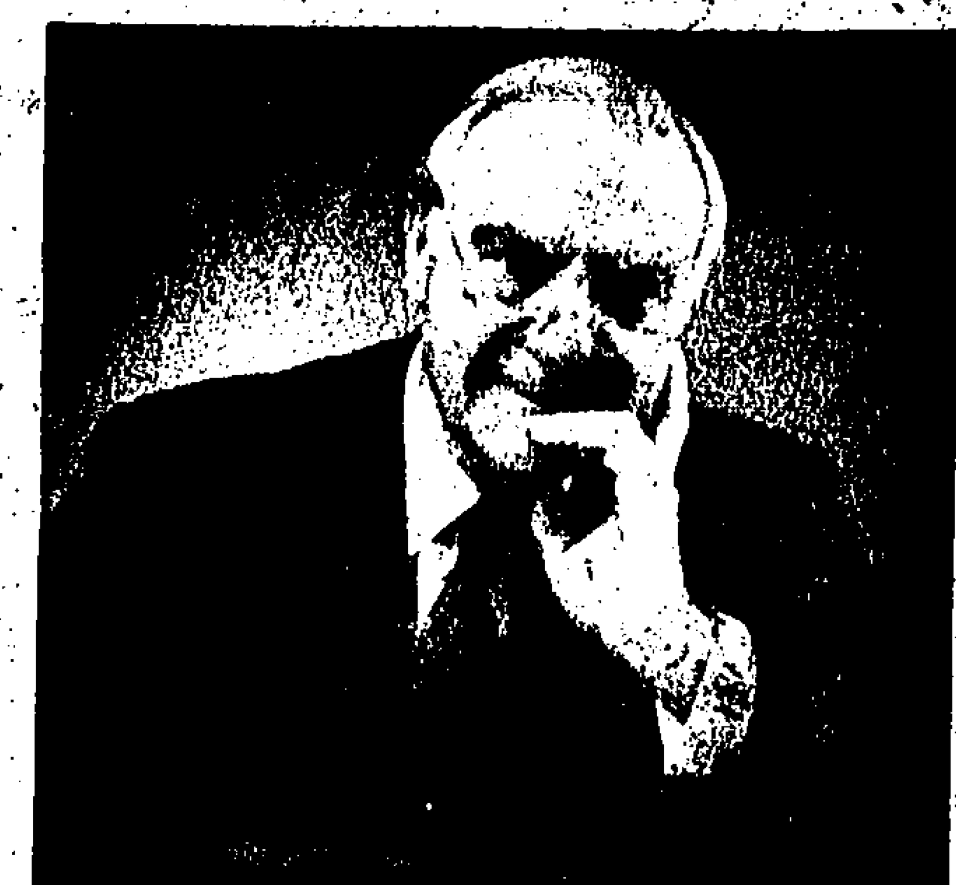
Chairman's Statement

In my final statement as your chairman, it is gratifying to be able to report a very positive achievement in the year. The company generated cash from operating activities of £635.9m after investment in research, development and marketing. The directors have recommended a final dividend of 10.1p bringing the year's total to 15.0p which is an increase of 11.9% over the previous year.

During the year, some important strategic issues have been addressed. Our decisions have fully reflected the principles of managing to maximise shareholder value which require us to evaluate every business and opportunity against the potential for long-term shareholder return. The discipline applied to making these judgements is rigorous.

We have further reviewed the composition and terms of reference of our board committees and in particular have adopted the suggestion in the Cadbury Report on the Financial Aspects of Corporate Governance that the Nominations Committee should advise the board on executive as well as non-executive appointments. We continue to comply with the Code of Best Practice in that report, except for reporting on internal controls and the going-concern status of the company neither of which can be pursued without further guidance from the accountancy profession.

The company's established reputation for social responsibility has been maintained through diverse activities, local and national. We have played a leading role in the creation of the Association of Town Centre Management and currently support 50 of the town centre managers appointed across the country through local authority/business partnerships. The regeneration and enhancement of our town centres is a social and commercial imperative, notwithstanding the need for certain types of retailing to be conducted in locations more accessible to car borne customers.



The impact of the company's operations on the environment has been under scrutiny, as we report elsewhere. With such a complex range of businesses, auditing, recording and analysis takes time. However, our policy is progressively to improve performance, encouraging everyone in the company to consider the environmental implications of his or her actions.

During my time as chairman, I have visited staff at work throughout the world. I have never ceased to be impressed by their enthusiasm, dedication and commitment to the highest levels of quality and service.

These are long-standing characteristics of Boots people, which have made the company what it is today.

Long may they remain so. I thank everyone I have met for unfailing courtesy and friendliness.

In the past year there has been further progress in the development of policies and facilities designed to make life easier for female staff with family responsibilities. We are one of the leaders in this area but have more to do if all Boots people are to fulfil their potential.

Terry Richardson retired as a director in December 1993 after 22 years with the company, 10 on the board. He played an important role in the international expansion of our pharmaceuticals interests and is rightly held in high regard in that industry, and amongst his former colleages. His unerring loyalty and support have been much appreciated.

In July, Keith Ackroyd, managing director of the Retail Division, will retire after 42 years' service and 15 years on the board. He has had a distinguished and varied career in retail management becoming managing director of Boots The Chemists in 1983 and adopting his present role in 1989, and has been influential in shaping the development of the group over many years. I thank him for everything he has achieved for the company and for the retail industry as a whole.

I am to be succeeded as chairman by Sir Michael Angus, a distinguished businessman and until recently President of the Confederation of British Industry. I hope he enjoys being part of the Boots team as much as I have for the past five years.

Overall, the past year has seen further expansion of our most successful retailing concepts and a significant strengthening of our position in the growing worldwide over-the-counter healthcare product market. The company is strongly positioned in all these areas and I fully expect this growth to continue, and further enhance the value of shareholders' investment in the company.

Whilst there are issues which remain to be resolved, I am confident of further improvement in performance and returns to shareholders.

Christopher Benson

Sir Christopher Benson
Chairman

Corporate Information

Board Audit Committee
I M G Prosser
P J Davis
Sir Peter Reynolds
R P Wilson

Board Nominations Committee
Sir Christopher Benson
Sir Michael Angus
Sir James Blyth
P J Davis
I M G Prosser
Sir Peter Reynolds
R P Wilson

Board Remuneration Committee
Sir Christopher Benson
Sir Michael Angus
P J Davis
I M G Prosser
Sir Peter Reynolds
R P Wilson

Board Social Responsibilities Committee
P J Davis
A H Hawksworth

Secretary
I A Hawtin

Registered Office
Nottingham NG2 3AA

Registered Number
27657

Auditors
KPMG Peat Marwick

Bankers
National Westminster Bank PLC

Board of Directors

Sir Christopher Benson, *Chairman* Sir Christopher, 60, became a director in April 1989. He is chairman of Sun Alliance Group plc, Costain Group PLC and of The Funding Agency for Schools. He was formerly chairman of MEPC plc.

Sir James Blyth, *Deputy Chairman and Chief Executive* Sir James, 54, joined the company and the board in October 1987 as chief executive, after previous appointments as group managing director of The Plessey Company and head of defence sales at the Ministry of Defence. He is a governor of London Business School and chairman of the Prime Minister's Advisory Panel on the Citizen's Charter.

K Ackroyd, *Managing Director, Retail Division* Keith Ackroyd, 59, joined the company in 1952 and became a director in 1979. He is a Fellow of the Royal Pharmaceutical Society of Great Britain, chairman of the British Retail Consortium, a non-executive director of Silentnight Holdings PLC, a member of the Passport Agency Advisory Board and the National Board for Crime Prevention. He was appointed managing director of Boots The Chemists in 1983. He took up his present position in 1984.

***Sir Michael Angus** Sir Michael, 64, became a director in March 1994. Previously chairman of Unilever, he is now chairman of Whitbread PLC, deputy chairman of British Airways Plc and a director of National Westminster Bank PLC. He was president of the Confederation of British Industry from May 1992 until May 1994.

***P J Davis** Peter Davis, 52, became a director in May 1991. He is chairman of Reed International plc and chairman of Reed Elsevier plc. Before joining Reed International as deputy chief executive in 1986, he spent ten years with J Sainsbury where he became assistant managing director with responsibility for all buying and marketing operations.

A H Hawksworth, *TD, DL, Personnel Director* Alan Hawksworth, 58, joined the company in 1959 and became a director in 1984. He was previously director of personnel, Pharmaceuticals Division. He is a Fellow of the Institute of Personnel Management, a Deputy Lieutenant of Nottinghamshire and the treasurer of the University of Nottingham.

G M Hourston, *Managing Director, Boots The Chemists* Gordon Hourston, 59, joined the company in 1958 and became personnel director on his board appointment in 1981. He is a Fellow of the Royal Pharmaceutical Society of Great Britain, chairman of the Company Chemists Association, chairman of the Armed Forces Pay Review Body and a member of the Senior Salaries Review Body. He became deputy managing director of Boots The Chemists in 1984 and became managing director in June 1988.

***I M G Prosser** Ian Prosser, 50, became a director in 1984. He is chairman and chief executive of Bass and is a director of Lloyds Bank. He is a chartered accountant.

Top. Standing left to right, A H Hawksworth, D A R Thompson, G M Hourston, and K Ackroyd Seated from left to right, M F Ruddell and G R Solway.
Top Right: Sir Michael Angus.
Bottom: Left to right, I M G Prosser, R P Wilson, Sir Peter Reynolds and P J Davis.

•Sir Peter Reynolds, CBE Sir Peter, 64, became a director in 1986. He is chairman of Pioneer Concrete Holdings and a director of Pioneer International, Avis Europe, Guardian Royal Exchange Assurance and the Covent Garden Market Authority.

M F Ruddell, Managing Director, Boots Properties Mike Ruddell, 50, joined the company in 1966 and became a director in 1984. In 1986 he became large stores director with responsibilities including merchandise and buying within Boots The Chemists. He took up his present position in June 1988 He is a non-executive director of Community Hospitals Group and a member of the Board of Governors of Nottingham Trent University.

G R Solway, Managing Director, Boots Pharmaceuticals Gordon Solway, 57, joined the company in 1961 and became a director in 1979. He moved to Boots Pharmaceuticals in 1982 and was in charge of the North American businesses from 1986, before taking up his present position in January 1992.

D A R Thompson, Finance Director David Thompson, 51, joined the company in 1966 and became finance director on his board appointment in July 1990. He became Retail Division finance director in 1980 and group financial controller in 1989 He is a chartered accountant.

•R P Wilson Robert Wilson, 50, became a director in December 1991. He has been with the RTZ Corporation for more than 20 years and became its chief executive in 1991.

•Non-Executive Director

The Company Today

Boots The Chemists Boots The Chemists has 1,134 stores with a total sales area of 520,331 square metres and is managed through two principal chains.

There are 901 'Small Stores' with a sales area per store of up to 600 square metres. These concentrate on the core business areas of health and beauty.

'Large Stores' total 224 with a sales area per store of up to 4,300 square metres. In addition to health and beauty, Large Stores also include sound vision, cookshop and gift merchandise.

There are also 9 free-standing Photo Centres.

Boots The Chemists is market leader in many areas of its business including healthcare, cosmetics, toiletries, baby consumables, films and film processing.

Boots Opticians The second largest chain of opticians in the UK, with 272 practices.

Halfords The largest retailer of car parts and accessories and cycles. Halfords is also the largest garage servicing organisation in the country. Currently there are 215 small stores on the High Street and 188 out-of-town Superstores.

Childrens World An edge-of-town operation with a wide range of children's products from toys to clothing, currently with 39 stores.

A G Stanley The largest retailer of home decorating materials through Homestyle and FADS with 397 stores. Homestyle includes home enhancement products, such as co-ordinated fabrics and wallpaper.

Do It All A 50/50 joint venture DIY company between Boots and W H Smith with 219 stores.

Boots Pharmaceuticals Researches, develops and markets prescription pharmaceuticals worldwide. Also markets a range of specialist chemicals worldwide. The major products are:
Ibuprofen —
Prescription pharmaceutical (Brufen)
Flurbiprofen —
Prescription pharmaceutical (Froben)
Dothiepin —
Prescription pharmaceutical (Prothiaden)
Levothyroxine —
Prescription pharmaceutical (Synthroid)
(US and Canada only)

Boots Healthcare International Responsible for the marketing of consumer healthcare products in the UK, Europe, and territories in Africa, South East Asia and Australasia.

The product range includes Strepsils, Nurofen, Dequadin, Sweetex, Optrex, Mycil, E45, No 7 and Natural Collection.

The Boots Company comprises of 10 business units. The role of each of these businesses is to maximise its cash flow based value over the long run.

Boots Contract Manufacturing One of the three largest contract manufacturers in Europe. Manages production at manufacturing plants in Nottingham and Airdrie, Scotland, developing and producing a wide range of own brand products for Boots The Chemists, prescription pharmaceuticals for Boots Pharmaceuticals, and consumer products for Boots Healthcare International. Numerous products are produced for other companies under contract.

Boots Properties Responsible for optimising returns from the company's substantial UK property portfolio by enterprising investment, development and financing. It is a leading property company in the UK retail sector.

Boots Properties actively manages investments and disposals to improve the value of the portfolio. Its development activities are concentrated in the retail sector.

The Boots Company PLC
- **Boots The Chemists**
- **Retail Division:**
  - Boots Opticians
  - Halfords
  - Childrens World
  - A G Stanley
  - Do It All
- **Boots Pharmaceuticals**
- **Boots Healthcare International**
- **Boots Contract Manufacturing**

Chief Executive's Review

On a sales increase of 5.2% to £4.2bn, the group generated an 18.8% increase in profit before tax and exceptional items to £484.4m. I regard this as a good performance for a year in which there have been many trading uncertainties.

In addition, the group is now cash positive, with the borrowings relating to the acquisition of Ward White eliminated. Cash generated from operating activities in the year totalled £635.9m, an increase of 15.7%.

Boots The Chemists performed strongly. Sales increased 5.4% to £2,808.0m, and profit 13.3% to £322.9m. Once again the core business of health and beauty was its strength.

Investment in Boots The Chemists continued in technology, in staff training and in additional space. The business is now well equipped to face any challenges which may lie ahead, be they from further changes in the UK system of healthcare and pharmacy funding, or from retail competitors. Quality, innovation and good value will remain the hallmarks, whilst trials of new store locations and configurations will continue. The prospects for this business are very positive.

Increased sales volumes and significant growth in profit reaffirmed Halfords strategy and the pace of the move from town centres to more appropriate out of town superstores was accelerated. The slight increase in consumer confidence early in the year helped both the car accessory and cycle areas of the business.

By contrast, Do It All, jointly owned with W H Smith, continued to disappoint, suffering from the poor location of many stores as well as from a sluggish housing market and intense competition. We are confident that measures now in hand further to

distinguish the chain, and reduce its size, combined with centralised distribution and better systems, will generate improving performance.

The withdrawal of Manoplax, the heart drug launched in the UK and US, was obviously a considerable disappointment. Some £100m had been invested in developing the drug but, despite regulatory approvals, we felt the evidence of its possibly adverse effects could not be ignored.

Coincidentally, the pace of change in the structure of healthcare provision worldwide made it apparent that a satisfactory return for the shareholders of small to medium sized pharmaceutical research and development companies would be harder to achieve after ever greater investment. A thorough review was therefore commenced. This will take time to complete.

Meanwhile performance is satisfactory, with a sales increase of 6.2% in 1993/94, and with profit before exceptional items maintained.

This is the first full year's separate report of the results of Boots Healthcare International, Boots Pharmaceuticals and Boots Contract Manufacturing. Boots Healthcare International is attracting very high levels of investment. This reflects the opportunity we have identified in Europe, and indeed elsewhere, for over-the-counter healthcare. The business is being well resourced and, whilst there are still some gaps to fill in its product portfolio and in market representation, we are optimistic that its UK market leadership will be reflected elsewhere. Like Boots The Chemists, Boots Healthcare International gains from the vertically integrated development and production capabilities provided by Boots Contract Manufacturing.

For many observers the pharmacy is at the core of our health businesses. We continue to invest in the enhancement of the community pharmacy service and systems, and in the training of graduates and their development as pharmacists. The importance of this work increases as the UK government expects greater productivity and value for money. Boots The Chemists remains the major player in this field.

The group has one of the largest UK retail property portfolios and this provides an important source of market intelligence to Boots Properties. This business continues to perform well, taking a systematic approach to investment by acquisition and to property development. Whilst this approach will be maintained we envisage an increasing level of net investment over the next few years.

It is now three years since we began to manage the company specifically for added shareholder return through the application of a rigorous and tightly managed strategic planning process. This requires all businesses to evaluate and report to me on the options for all aspects of their business, against cash generation and value-enhancing criteria. The process has exposed many potential new opportunities.

We remain dedicated to the achievement of long-term value, and monitor this achievement by reference to a challenging peer group of competitors. We have more than doubled shareholder value in the last five years and aim to maintain this progress.

James Blyth

Sir James Blyth
Deputy Chairman and Chief Executive

Accounting standards The company is keen to debate and to participate actively in discussions on new and proposed accounting standards and practices. It fully supports the objectives of the Accounting Standards Board aimed at improving the quality and consistency of financial statements for the benefit of shareholders.

Cash flow Cash management is one of the key performance measures used by the company to monitor its businesses. The group's performance in this area is detailed on page 15 and is testimony to the cash generative ability of the businesses.

Operating cash flow of £635.9m was £86.3m higher than last year. Purchases of fixed assets increased by £49.2m to £215.6m, a record for the group. Most of the expenditure was on store developments in Boots The Chemists and the buying of freehold interests by Boots Properties.

A summary table of cash flows including the calculation of free cash flow is shown on page 15. This differs from the FRS1 cash flow statement shown on page 43 primarily in that it analyses the movement in overall net cash rather than cash and cash equivalents.

Free cash flow (the amount available to service providers of capital) showed an increase of 16.2%.

Liquidity and funding The strong cash flow performance resulted in net cash of £69.0m at the year end compared with net debt of £203.8m at 31st March 1993.

Total cash investments at the year end were £491.9m and the maximum maturity of these is 12 months.

During the year a subsidiary, Boots Investments Ltd, purchased all the £250m 10.125% bond due 2017 of The Boots Company PLC together with all outstanding interest coupons other than those maturing on or before 24th June 2002.

A US subsidiary operates a manufacturing plant in Puerto Rico, and £192.1m of the group's cash is held there. Remittances are not restricted.

Seasonal and overseas requirements are met from commercial paper and short term bank borrowings. There are no committed bank facilities.

Treasury policy

Control The board has established clear principles covering all major aspects of treasury policy. These aim to benefit longer term shareholders.

Strict guidelines for cash investments apply worldwide, and investments are made only in high quality bank deposits and other liquid instruments.

Controls are in place which seek to prevent fraud and other unauthorised transactions, and minimise counterparty risk. There are regular reviews by the group's internal audit staff.

Interest rate policy The board does not believe hedging the impact of short term movements in interest rates increases the worth of the company, or that long term shareholders ascribe value to the reduction in earnings volatility which results from such hedging.

The board does not wish to have too much debt fixed at one interest rate. The majority of the £250m 10.125% bond was swapped from fixed into floating when it was issued. All cash investments and other debt, with the exception of the US$175m bond, is at floating rates of interest.

With cash and borrowings broadly in balance,

Summary of cash flows	1994 £m	1993 £m
Net cash inflow from operating activities	635.9	549.6
Purchase of fixed assets and businesses	(233.6)	(167.8)
Disposal of fixed assets and businesses	63.6	18.5
Investment in and loans to associated undertakings	(25.2)	(13.3)
Taxation paid	(108.6)	(100.3)
Other items	5.3	3.7
Free cash flow	**337.4**	290.4
Less: Interest paid	—	(23.7)
Dividends paid	(47.6)	(215.1)
Net cash flow	**289.8**	51.6

interest rate management is now less important than before.

Currency exposure policy The group's major currency exposure is to the US dollar. A consistent option hedging strategy has been used throughout the year to protect the sterling value of US$ sales and purchases. Options are purchased only to cover the forecast needs of the businesses. The company does not sell currency options.

Modest sales and purchases are made in a range of currencies other than the US$, but it is not considered that hedging them into sterling adds value.

As well as these activities involving trading cash flows, part of the estimated value of the US$ earning businesses is protected by means of longer term dollar liabilities, currently in the form of the currency swaps and US$ bond.

Taxation The effective rate of tax for the group is 30.4% (1993 30.7%), although if the effect of exceptional items is excluded the rate falls to 29.0%. The tax charge this year again benefits from US federal tax relief given for Puerto Rican income. This benefit will reduce over the next four years as a result of recent changes in US tax.

The group has substantial capital losses available for UK tax purposes arising mainly in the parent company from the voluntary liquidation of a subsidiary, Ward White Group plc. Valuations, however, still have to be agreed with the Inland Revenue.

Performance measurement Earnings per share (EPS) for the current year shows an increase of 2.6% from 27.0p to 27.7p. This has been calculated in accordance with FRS3 'Reporting Financial Performance' and has therefore been affected by the exceptional items arising this year. In order to understand the underlying performance of the group an alternative EPS is also reported which adjusts for the exceptional items arising and shows an increase of nearly 22%.

However, the board consider that too much prominence is given to EPS as an all embracing measure of performance. In the board's view a better overall measure of long term performance is the total return to shareholders, comprising dividends paid and growth in share price. Over the past five years total shareholder return has increased by 138% per share compared with 81% for an index of all major UK companies.

Dividend The board is recommending a final dividend of 10.1 pence per share making a total for the year of 15.0 pence per share, an increase of 11.9%. There is approximately two times earnings cover representing a continuation of existing dividend policy. Free cash flow cover amounts to 2.2 times.

As in previous years ordinary shareholders will again have an opportunity to increase their shareholding in a cost effective manner by the offer of a scrip dividend alternative. Hitherto, approximately a quarter of private shareholders have taken up the offer, representing approximately 8% of the issued share capital.

Operational Review

Boots The Chemists Sales at £2,808.0m rose by 5.4% and profit at £322.9m increased by 13.3%.

Customers are assured of Boots The Chemists competitiveness through continuous price monitoring nationwide and prompt and aggressive action where necessary. Heavily promoted price competition from some other retailers therefore had no impact on market share. Overall margins again increased.

The chain continued to reinforce its strengths in health, beauty, food, photo, baby and gift merchandise. This led to significant sales increases, particularly in over-the-counter healthcare, where space allocation in most large and many small stores increased on average by 24%.

There were a number of successful new launches and range extensions. Customers responded with particular enthusiasm to additional own brand ranges, for example the new Global Collection of natural toiletries, which has been added to the existing Natural Collection range, to create a £50m brand overall. The Boots Soltan range of suncare products also now leads its market with a 20% share.

Healthcare sales were 12% higher than last year. They continued to benefit from the reclassification of products from prescription-only to pharmacy-only, enabling them to be sold over the counter. At the same time, the continuing expansion of Boots professional service resulted in an increase of 7% in the number of prescriptions dispensed.

The new year-round gift merchandise business is developing well, especially in larger stores which feature a specialised Gift Shop area. Other areas of the business were more difficult. Film processing and films showed only small increases, and sales of music, video, computer games, and audio equipment all declined. The sale of large audio equipment has been discontinued.

Selling space was expanded during the year. Major new stores were opened in Norwich and Gyle Park, Edinburgh, along with significant extensions in Cheltenham, Cambridge and Guernsey. The improving profitability of core merchandise ranges is opening up new opportunities for small stores in defined catchment areas. 48 small stores were opened during the year as part of the strategy to add 250 such outlets over four years.

In a continuously changing market place, shareholder value can sometimes be enhanced as much by contraction as expansion. Surplus space was eliminated in Newcastle, Bradford and Wellingborough. In 34 stores, trading area was reallocated to enlarged Boots Opticians outlets, which were formerly in free-standing high street premises.

Small Boots The Chemists stores were piloted within eight Sainsbury stores during the year. Each Boots outlet was differently located and a considerable amount of information has been gained from these trials which is now being fully analysed.

A significant contribution to Boots The Chemists outstanding performance came from the control of cost in offices, warehouses and stores.

The group's product development and manufacturing capability ensures that cost savings generated throughout the supply chain can be passed on to customers, thus helping Boots The Chemists maintain a clear competitive edge over other retailers.

Boots The Chemists is enhancing the core merchandise offer, notably with well-researched own brand ranges, which with excellent customer service, continue to add value. Advances in information and supply systems are intended to further reduce costs.

Moreover, the company continued to lead the high street in negotiating more realistic rent and rates assessments, with great benefit to property costs.

In the control of expenses, as in many aspects of today's business, the development and effective use of information systems is critical.

Increased efficiency was achieved in the deployment of store staff, contributing to a total productivity increase of 1.2%. This rate of increase was lower than in previous years due to heavy investment in training and a variety of store concept and service trials. Boots The Chemists advanced training programmes are designed to reinforce its pre-eminent high street position in customer service by helping staff maintain its 'assured shopping' principles.

The introduction of automatic stock replenishment is now nearing completion. This together with further streamlining of the supply chain, is bringing significant new cost efficiencies.

Information systems are also being used to refine store merchandise planning. A number of pilot projects have been designed to improve product mix and profitability, in particular by increasing the sales area dedicated to core ranges.

Customers can now benefit from a new pharmacy system, called Medilink, which combines comprehensive national patient records with enhanced stock control. This is in addition to well established schemes providing pharmacy services to residential homes and repeat prescription services for doctors and patients.

The retail market place continues to change with increasing competition from supermarkets in our product areas of toiletries and some over-the-counter medicines. Boots The Chemists however has the strategic advantage of vertically integrated own brand development and manufacture enabling innovative added value products to be brought to the market very quickly.

Boots Opticians The optical market remained highly competitive with widespread discounting, and there has been little market growth. Sales of NHS spectacles and sight tests continued to be affected by tighter controls on the government's voucher system. Boots Opticians sales increased by 8.7% to £102.1m.

Profits were held back to £6.7m, representing a modest increase of 1.5%, as a consequence of an accelerated investment programme designed to strengthen the company's competitive position.

Investment is being directed into several areas. First, market opportunities have been identified for larger, more cost effective optical practices. In future therefore, Boots Opticians will tend to operate from fewer stand-alone stores and instead occupy expanded floor space within large Boots The Chemists stores. This allows Boots Opticians to benefit from increased customer traffic and Boots The Chemists to make better use of less productive trading areas within its stores. The investment in new technology is improving efficiency and extending the range and quality of professional services available, but has an adverse effect on profitability in the short term.

In addition, Boots Opticians is positioning itself to take maximum advantage of the group's reputation for offering good value, quality healthcare products and

services. A series of new and extended own brand ranges — in contact lenses and solutions and in spectacle frames and lenses — has been introduced. Boots Opticians can now offer a one hour spectacle dispensing service in most outlets.

Halfords Sales of £357.0m increased by over 9%, demonstrating significant volume growth in both high street outlets and, especially, superstores. Profit increased more than threefold to £14.7m, despite losses

Boots Opticians is sharpening its competitive edge, with expanded own label ranges sold through larger trading outlets, by improving service quality and efficiency levels, and new technology.

Halfords aims to consolidate its leadership of the cycle and car spares market. The emphasis is on developing out-of-town or edge-of-town superstores and improving quality and pricing in core product ranges.

of £10.3m from garage servicing. Increased business efficiency throughout the retail chain was passed on to customers in more competitive prices, which in turn secured further market share gains in many areas.

Real progress was made in expanding Halfords offer in core business areas. 'The Parts Store', a dedicated car parts service begun in 1992, was introduced to all superstores. The combination of comprehensive branded and own brand ranges, plus fast search and delivery on specialist parts has been well accepted by professional and DIY customers alike. Sales of car accessories also increased, helped by an improving car market and significant new merchandise development.

Halfords also improved its already commanding position in the cycle market. Exceptional sales at Christmas helped take market share to 24%. At the same time, supply chain improvements have reduced costs and improved lead times.

Garage servicing with 139 outlets remains a loss maker. During the year a trial was carried out on the 15 outlets in Scotland to assess ways of improving profitability. Changes were made in reception arrangements, customer service and labour scheduling. There was also heavy TV advertising with the aim of increasing volume and generating customer loyalty. Short term results have been positive and the information gained will be used in making changes to the entire chain.

Halfords superstores have been transformed over the last 18 months as Halfords began taking fuller advantage of its ability as leader to influence the nature and quality of the market place through its specialist knowledge and experience.

Childrens World continues to promote the 'shopping for children with children' concept it pioneered in the UK and is also looking to create incremental profit growth from an increasingly viable and expanding storebase.

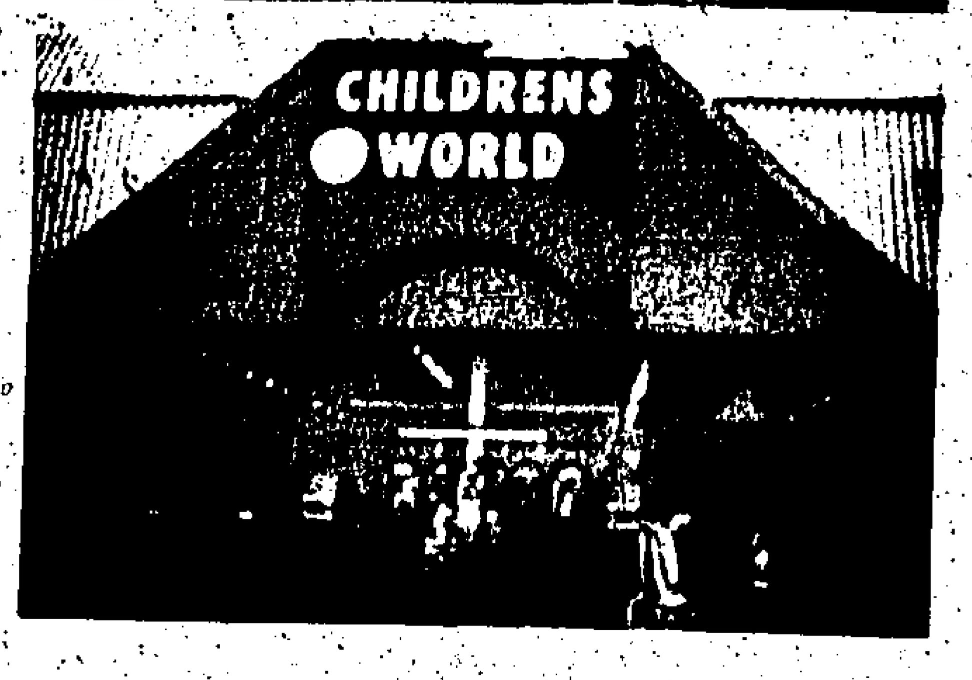
Remerchandising, new signage systems and a generally improved store ambience are all being reinforced by increased investment in staff training and the introduction of a new staff structur. An accelerated opening programme is now under way. Sixteen superstores were opened during the year and 27 high street stores closed, giving a small net increase in selling area.

Childrens World Sales for 1993/94 were up 20% at £84.1m. The loss of £1.6m for the year as a whole was lower than last year, and there was a small profit in the second half.

UK consumers are now responding in increasing numbers to the Childrens World concept which provides comprehensive ranges of quality products at good value prices, including a large range of exclusive fashion products for children. Stores aim to create a unique out-of-town family shopping experience with convenient facilities for parents and play areas for children.

With 39 stores now open, the Childrens World chain has passed critical mass and all stores are making a trading profit contribution, including the original 30,000 sq ft stores. It is planned to continue increasing the portfolio by about 10 stores a year at the newer 15,000 sq ft size. Nine of these smaller stores were opened last year and proved particularly successful in the core merchandise areas of baby and children's fashion.

A G Stanley Margins remained under pressure as consumers were influenced by fierce price competition in the DIY sector, affecting paint in particular where



the business is one of the leading retailers, with a market share of 7%. This, together with a sluggish housing market for most of the year and pre-opening costs for new Homestyle stores, resulted in a small loss of £0.8m for the year.

Nonetheless, the new Homestyle by FADS' home décor format has been well received by customers. These stores — which combine extensive ranges of co-ordinated fabrics, wallcoverings and accessories with interior design support as well as practical decorating

Homestyle and FADS have for some time been positioning themselves in the soft furnishings and home fashion markets as distinct from the DIY 'shed' offering. Small store ambience and knowledgeable service are backed by the range, quality and availability only a national chain can supply.

Do It All, owned jointly with W H Smith, continues to develop a distinct project-based offer aimed at the semi-professional and aspiring enthusiast. The offer centres on a specially configured store layout, excellent customer service and focused product ranges, including quality own brands.

advice — achieved like-for-like growth of almost 10% over last year.

There are now 100 such stores in 70 edge-of-town or retail park locations and in 30 high streets. Well over 100 of the remaining stores will be converted to the Homestyle format in the next 18 months. The extensive new store opening programme will continue. At the same time A G Stanley will exit many of the smaller stores in tertiary locations.

As the housing market continues to recover and the worst excesses of price competition diminish, the prospects for this business are improving.

Do It All The stagnant housing market continued to depress DIY sales. The third quarter showed some small signs of improvement in both sales and margins but post-Christmas trading was weak. Competition within the sector remained intense, aggravated by new space growth, still running at almost 7% per annum. The severe discounting which had been affecting whole ranges ceased around mid-year, but individual product price offers remained a significant feature within the promotional packages of all the major DIY operators.

In its current form Do It All has not been able to compete effectively and in the market environment the business made a loss, of which Boots share was £12.2m before exceptional costs.

Since Do It All was disadvantaged due to store locations, it has been decided to rationalise the store portfolio of 219 stores and thus to exit a significant number of poor locations. This process has so far resulted in 40 stores being sold and a further 60 stores are to be disposed of when suitable buyers can be found. At the same time three stores have been downsized and the excess space sublet.

By February 1995, over 80 stores will have been refitted to the new standards, focusing on core DIY, featuring fewer, more comprehensive ranges supported by customer advice counters and 'How to ...' leaflets. Workshop settings within the store allow customers to see how different techniques and equipment relate to a range of projects. The major principles of the new strategy are being introduced as quickly as possible into

all remaining stores. This is being accompanied by substantial investment in staff training.

Further investment is also going into improved own brand product quality and sourcing. Own brand is currently at 17% of sales and it is expected this will increase to 25% next year.

A new 335,000 sq ft central distribution warehouse commenced operation in May and will in the coming months progressively take over distribution of most of the products supplied to Do It All stores. This will give significant benefits controlling stock investment, improving on-shelf availability and providing better margins.

Boots Pharmaceuticals Sales at £510.5m increased by 6.2%. Profit of £94.2m was reduced by the exceptional provision of £35.0m for the write-off of plant and stocks subsequent to the Manoplax withdrawal in July 1993.

Overall, existing major brands performed satisfactorily during the year: the launch of Esberiven Forte in France was a particular success.

Synthroid in the US continued to produce underlying growth, and maintained its market share although sales and profits were affected by wholesalers reducing pipeline stocks in the first half of the year.

Brufen/ibuprofen sales, although under pressure from generic products, marginally increased in a number of markets as a result of the growth in Brufen Retard, the long-acting formulation, now launched in 11 markets. Raw material sales from the BHC joint venture production plant in the US commenced during the year, following the necessary FDA approvals. The royalties under the main Advil licence with American Home Products ended in May 1994, but the raw material ibuprofen continues to be supplied by BHC.

Froben/flurbiprofen showed an overall decline in sales during the year, largely due to competitive pressures from the newer anti-inflammatories, though sales to Japan for the patch product continued to perform well.

The licence agreement with Upjohn for flurbiprofen in the US ceased in October 1993 with consequent cessation of licence income, although a raw material

Following the withdrawal of Manoplax, a thorough strategic review of the Boots Pharmaceuticals business is in progress. All research and development (R&D) in the cardiovascular field has been terminated but in other therapeutic areas the R&D pipeline contains a number of promising product candidates.

Boots Healthcare International's fast growing over-the-counter business develops and markets consumer healthcare brands which succeed in Europe, and worldwide.

supply agreement remains in place.

Prothiaden, an anti-depressant, increased sales with a strong performance in the UK.

The research and development programme continues although costs have been reduced by cutting back on staff numbers in some areas. Sibutramine, a weight reducing agent, is now near completion of Phase III clinical trials and first regulatory filings are planned by the end of 1994/95. In the field of mental illness, zotepine, an antipsychotic, and lesopitron, an anxiolytic, are in clinical trial and progressing satisfactorily.

Following the withdrawal of Manoplax a thorough review of Boots Pharmaceuticals is being undertaken and an evaluation of the various options, including merger or sale, is being made. The review is very complex and will take some time to complete.

Boots Healthcare International Sales at £155.3m increased by 5.8%. Profit at £6.6m was more than two and a half times higher than last year.

Governments throughout the world are encouraging self-medication in an attempt to reduce state healthcare expenditure. Boots Healthcare International (BHI) is well placed to take advantage of this trend.

BHI is already a major force in the European over-the-counter healthcare market. The operations in France, Spain, Benelux, Italy and Eire, all hold strong positions, enhanced in France and Italy by acquisitions during the year. The UK subsidiary Crookes Healthcare is national market leader. BHI also has a developing export business using agents and distributors in markets outside Europe. Since the year end the business has been extended to include markets previously addressed through Boots Pharmaceuticals where the company has a substantial over-the-counter business, for example South East Asia and Australasia.

Product strategy focuses on four key therapeutic areas. In analgesics with Nurofen, cough/cold with Strepsils and eyecare with Optrex, the business has brands which are already internationally successful, each capable of being developed as umbrella brands for a series of products. In skincare, there are a number of significant national brands — E45 in the UK, for example, enjoys market leadership in its sector, its sales boosted in the year by the introduction of a new lotion variant.

Agreement was reached after the year end to sell the Farley's infant milk and food business and the adult nutrition business to subsidiaries of H J Heinz Company for £94m payable on completion.

BHI now has a 70-strong consumer product development team and a central marketing organisation. Both are dedicated to ensuring that

development programmes are customer driven, whether they are line extensions, newly developed or acquired brands. Worldwide brand strategies are developed centrally, but field-based teams are employed at all stages to ensure they can be implemented successfully in a variety of local markets.

BHI has considerable potential and is currently attracting high levels of investment in new product development and product launches.

Boots Contract Manufacturing The benefits of focusing on the contract manufacture of cosmetics, toiletries and healthcare as a separate business showed through in Boots Contract Manufacturing's (BCM) results last year. Sales increased 7.0% to £208.8m and profits of £16.2m represented an increase of 23.7%.

Good growth was achieved in most of the key sectors, with particularly strong sales to their major customer, Boots The Chemists. Excellent cost control resulted in costs increasing only 2.2% due to closer supplier relationships, new team-working initiatives, and the re-engineering of some key processes. Productivity increases of over 5% were also achieved.

The group's commitment to providing high quality technical expertise and facilities is evidenced by significant continuing capital investment in the business, totalling some £19m. Major schemes completed during 1993/94 included new quality control laboratories, high speed packing lines at the Nottingham manufacturing unit and a bottle blowing facility at the Airdrie factory in Scotland.

Boots Contract Manufacturing's emphasis is on helping its customers bring new products to market quickly and on using its reputation as a supplier of quality merchandise to other Boots businesses to support more third party sales, particularly in Europe, where own brand manufacture is now a rapid growth area.

Boots Properties takes a long-term view of its market, using the group's retailing knowledge, modelling capability and information resources to identify and capitalise on opportunities.

Responding to the dynamic nature of its market, BCM has an extensive product development programme. Over 2,000 new projects are currently being progressed. The speed at which this dedicated development and manufacturing resource is now capable of bringing new products to market gives its major customer, Boots The Chemists, a distinct competitive advantage, so endorsing the benefits of vertical integration.

Boots Properties Property profits increased 23.6% to £67.1m. The major portion of these profits — £59.6m — arose from rents on fully comparative properties. The sale of development properties contributed £5.8m.

Boots Properties capital expenditure is concentrated on two retail areas — the purchase for investment of freeholds or long leaseholds; and property development.

Portfolio investment and divestment decisions are driven by careful assessment of potential returns against specific criteria. Developments are retained or sold on the basis of which option creates the greater long term value for shareholders. In the main developments are retained, to produce a steady and predictable income stream for the future.

Despite the very competitive nature of the retail property market, Boots Properties met its capital expenditure targets. The recovery in the market from the middle of the year led to the disposal of a small number of properties which did not meet the business's financial criteria for retention. Boots Properties continues to be a net investor with expenditure of £54.1m and disposals of £18.9m in the year.

Purchases in the year included a shopping centre in

Daventry; retail parks in Cramlington, Stamford, Bradford and Derby; a shopping parade in Grangemouth; and a number of reversionary freeholds with Boots The Chemists as tenant.

Property development continued to progress well. A cautious approach is applied, taking full advantage of the group's knowledge of retailers' property needs — both in the high street and out-of-town — and access to an extensive research database. This combination of in-depth experience and constantly updated quantitative data gives Boots Properties a powerful competitive advantage in the market place, which is applied in the acquisition and development of sites where Boots retail companies will be tenants.

Developments in Market Harborough and Plympton were completed during the year and letting is progressing satisfactorily. Development agreements have been signed for sites in Chorley, Brecon, Harrow, Hastings, Caerphilly and Swindon. Construction has started at Chorley and key tenants, including Boots The Chemists and Woolworths, have been secured.

Community **The company is involved in charitable and community work throughout the UK and, to a lesser extent, internationally. The focus inevitably is on Nottingham, where the company was founded, where our head office is based, and where over many years a special relationship has developed with all parts of the community.**

Our traditional approach in this area has been to respond to requests for project funding. Indeed, charitable and educational payments again increased, totalling £1.8m compared to £1.4m in 1993. These included donations of £426,000 paid through Boots Charitable Trust, an independent registered charity established in 1970 and wholly funded by the company. The Trust also makes top-up contributions to employees' fund-raising activities on behalf of a wide variety of charities.

Money raised through Boots The Chemists Christmas card and gift charity promotion funded 50 Variety Club Sunshine Coaches for disabled and handicapped children.

In recent years the company has moved towards more active community involvement in an attempt to influence positive change. Other than in Nottingham, where we continue to consider support for any local charity, we endeavour to maximise our impact by concentrating support on healthcare, education and economic development. Local initiatives include the Nottingham Childcare Forum, support for drug prevention programmes, and a new fund dedicated to communities affected by pit closures.

The Boots Recycling Project, administered by our Community Relations Department, has been distributing surplus stock to local, national and international charities since 1985. Last year, stock remainders worth some £432,000 accounted for about half of what was distributed together with a similar quantity of other surplus or unsaleable goods which are sorted and refurbished through community service projects, administered by Nottinghamshire Probation Service.

Merchandise donations include £50,000 worth of baby milk donated to the Lord Mayor of Nottingham's Minsk Appeal, as well as £50,000 worth of Soltan suncare products sent to the British troops serving in Bosnia. Around 1,500 hot water bottles were supplied to the Nottinghamshire Old and Cold Campaign. After attention by a community service team, 200 bicycles, returned to Halfords as part of a promotional offer, were donated to local schools and children's charities.

The company's Education Liaison unit promotes economic and industrial understanding, working in partnership with organisations such as Training and Enterprise Councils, the Industrial Society, the CBI, government departments, universities, colleges and schools. The unit's work encompasses teacher and work experience placements and the production of curriculum materials, as well as donations.

Boots also continues to be a major sponsor of the Local Enterprise Agency network, in which public and private sectors come together to offer free help and advice to small businesses. We now sponsor 108 agencies throughout the UK at a cost of almost £75,000.

Employees The company strives to enhance the performance of all its people through personal

INVESTOR IN PEOPLE

POSITIVE ABOUT DISABLED PEOPLE

development and motivation. External recruitment of people with particular skills and strengths complements our internal promotion and development programme.

While people's commitment to the business unit for which they work is encouraged, management across the group shares experience and best practice between businesses. Transfers from one business to another are increasing in frequency. Succession planning is now a strategic task at the group centre.

People are trained and helped to adapt to an ever-changing commercial environment. The company is maintaining its leadership in the development of National Vocational Qualifications. During the year, an employee of Boots The Chemists became the holder of the UK's first retailing qualification at Level III. As the UK's largest participant in the government-sponsored *Investor in People* award, Boots The Chemists recorded two other 'firsts' — in London, where the employees of the Hays Galleria store all obtained an NVQ at Level II and at Wolverhampton, where there are now over 100 employees with NVQ certificates at Level I or II. In Boots Contract Manufacturing, five employees became the first people in the country to achieve an NVQ Level I in packaging operations within nine months of registration. All our businesses are committed to high standards of practice in the training, motivation and development of staff to their full potential.

The company remains committed to equal opportunities programmes and monitors their effectiveness. The company has a comprehensive programme which provides advice, employment opportunities, training and career development for people with disabilities and is a founder member of **Opportunity 2000, an initiative backed by the government to improve the representation of women in industry.**

'Family friendly' policies have long been part of the personnel strategy and in recent years greater flexibility has been provided to women wishing to return to work after having children. Part-time posts, job sharing, term time and school hours working have all become accepted ways of working within Boots. For the future, the company recognises that there will be an even greater need for managers to embrace flexible working arrangements.

The company believes that there is no substitute for face-to-face communication. This is undertaken through line management, trades unions where they represent staff and a comprehensive structure of staff councils. In addition, The Boots Company News is sent to employees throughout the world each month and other media are being introduced as part of a comprehensive new group communications strategy. There are also publications of various kinds within individual businesses.

Environment The company aims to run its businesses with a real concern for the environment.

Progress is monitored at board level by the Social Responsibilities Committee. The critical process of auditing products, facilities and practices, begun in 1991, is now nearing completion. Formal measurement systems will be put in place throughout the company to facilitate the review of comparative performance annually. Best practice and competitor benchmarks will be set for each part of the company and for major suppliers.

In the meantime, there is progress to report since last year. Activities in chemical production, power generation, tablet film-coating and incineration have now gained authorisation under the Environmental Protection Act. About 95% of the solvents used are recycled and work continues on finding replacements for the remainder. In transport, a policy for minimum journeys, regular vehicle replacement and driver training applies. The company also regulates vehicle speeds and ensures the use of aerodynamic fittings.

With customers' co-operation, retail outlets are issuing fewer plastic bags at the point of sale. Together with changes in bag specification, this has resulted in sizeable reductions in polyethylene deposited in landfill.

Re-usable transit packaging, such as plastic trays, is now widely employed; other forms are recycled where practicable. Shop fittings are also re-used more.

Of nearly 70,000 tonnes of packaging used in 1993 by Boots The Chemists, about 25% was made from recycled materials, as was almost all of the 577 tonnes of disposable paper products used in the group overall.

Ash from our power generation unit in Nottingham is recycled to the building trade. Funds raised by recycling more than 1,000 tonnes of greetings cards, collected through shops after Christmas 1993, were used to plant 12,000 trees in community forests.

Energy cost savings in excess of 10% were achieved last year. High efficiency lighting units in some shops have produced savings of up to 80% and automatic controls are being introduced in a range of lighting applications. A major project to examine fuel choice and energy policy is under way in the engineering department.

The environment is increasingly taken into account in developing new products and their packaging. New techniques being used include life cycle analysis, where database information allows comparisons between methods and materials. A new range of kitchen knives on sale in Boots The Chemists has handles made entirely from recycled propylene and blades from 100% recycled steel.

Desk top studies for contamination are carried out on land before sale, purchase or development. Any positive indications are rigorously pursued. Government guidelines are followed with regard to any contamination found.

The company actively supports several national bodies, including the Producer Responsibility Group, the CBI's Environmental Business Forum, the British Standards Institute working party on BS7750 and the Chemical Industries Association's 'Responsible Care' initiative. It also supports local government initiatives to increase the responsible recycling and/or deposit of waste materials like oil, tyres and out-of-date medicines.

Childrens World has developed a distinctive range of exclusive children's clothes. Successfully sold through the growing chain of stores they now represent a third of sales.

Over 70% of Boots Opticians sales are Boots brand. Products include a wide selection of exclusive Boots frames, Boots Integra 4 in 1 lenses, contact lenses and solutions and the Boots 'Pioneer' prescription sunglasses range.

Soltan, developed and manufactured by Boots Contract Manufacturing, leads the UK sun protection market with a four star UVA rating system, which is now being adopted nationally. Indeed, some of the Soltan formulae have been patented.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WEST

Boots The Chemists launched the Natural Collection range of toiletries in August 1988. A complementary range, Global Collection launched in October 1993, is already very popular with customers.

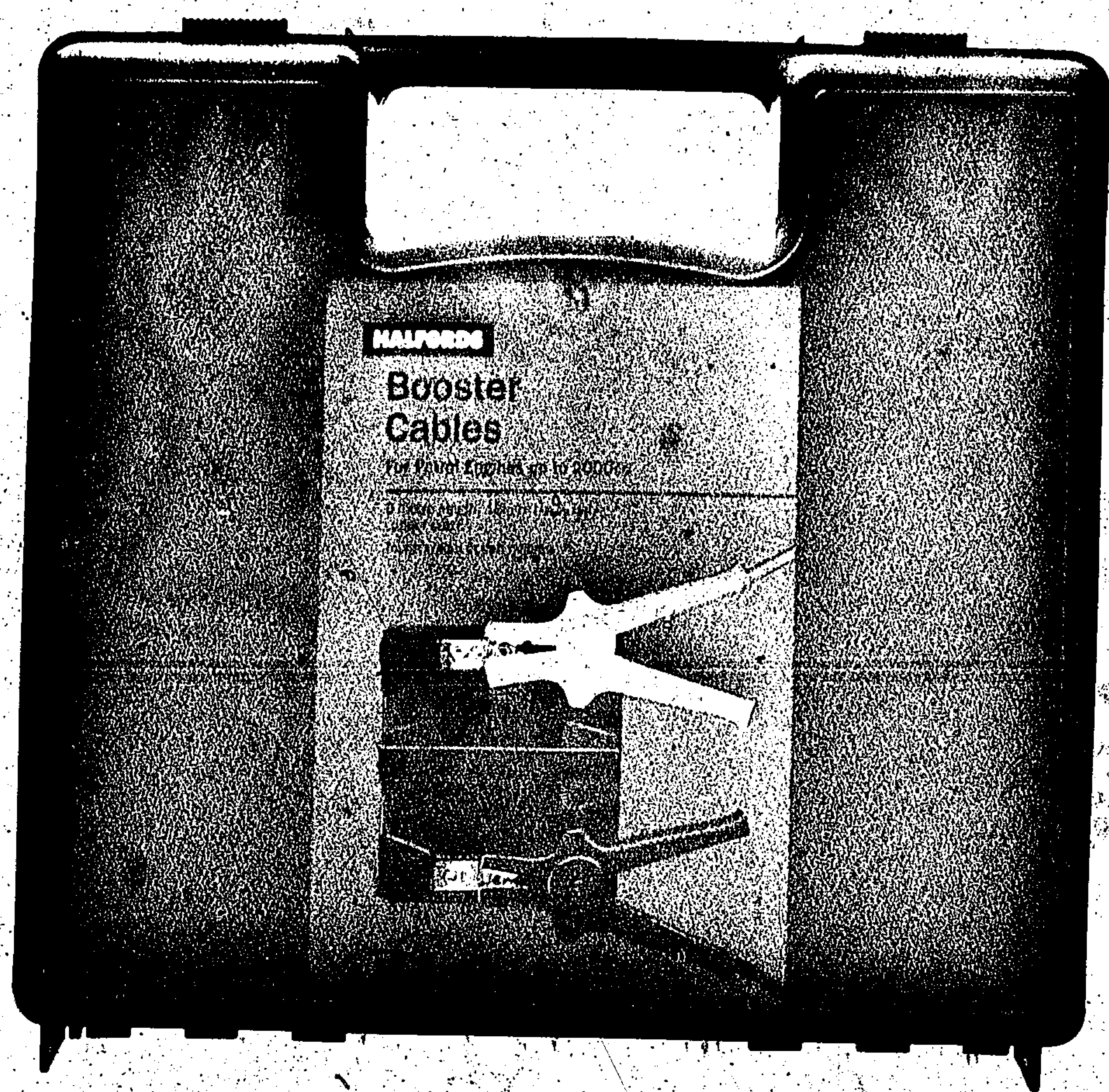
Homestyle specialises in co-ordinated soft furnishings and wallcoverings for the home. The 'Emily' range of wallpaper, border and fabric is one of several exclusive ranges designed by the Homestyle creative team.


ACTER
C A R B A N

Boots Healthcare International is expanding in Europe through product acquisitions and new product launches. An example is Nobacter shaving mousse for sensitive skins, acquired along with Solubacter and Cutisan skin care products in 1993 from Innothera in France.

Brufen Granules — protecting and extending the Brufen franchise with an effervescent drinkable formulation which provides rapid pain relief and high patient acceptability.

Halfords merchandise specialists continue to develop further the own brand range by introducing innovative products. An example is booster cables in a convenient storage box.



Financial Statements

Directors' report

The directors of The Boots Company PLC present their annual report to shareholders, together with the audited financial statements for the year ended 31st March 1994.

Principal activities

The group's principal activities are:

— the research, manufacture and marketing of pharmaceutical and consumer products.
— retailing of chemists' merchandise, autoparts, DIY, opticians and children's merchandise.
— property investment, development and management.

Further information is provided on pages 10 and 11.

Business review and future developments

A review of group activities during the year and likely future developments are dealt with in the Chief Executive's Review and the other business reviews on pages 12 to 25.

Group results

The group profit and loss account for 1994 shown on page 40 includes the following details:

	1994 £m	1993 £m
Turnover	**4,167.1**	3,962.1
Profit on ordinary activities before exceptional items and taxation	**484.4**	407.7
Profit on ordinary activities before taxation	**415.9**	405.2

Appropriations

The directors recommend the payment of a final dividend of 10.1p per share which, if approved by shareholders, will be paid on 17th August 1994 to shareholders registered on 16th June 1994. When added to the interim dividend of 4.9p paid on 4th February 1994, this makes a total dividend payment for the year of 15.0p per share (1993 13.4p per share). Payment of these dividends requires £156.0m (1993 £139.0m), leaving £131.9m (1993 £140.1m) retained in the business.

Group structure

During the year, Boots Healthcare International acquired two European consumer healthcare businesses: La Société Française du Triclocarbon in France and Marco Viti Farmaceutici S.p.A. in Italy.

On 22nd July 1993, the group sold Beauté, Hygiene et Soins, SA, which operated its French retail business, Sephora.

The Boots Print packaging business was also disposed of during the year.

Since the year end, the company has entered into contracts to sell for £94m its businesses in Farley's infant milks and foods and in adult nutrition products.

Share capital

Details of shares issued during the year are shown in note 20 on page 58.

At the annual general meeting on 22nd July 1993 shareholders authorised the company to make market purchases of its own ordinary shares of 25p each. The authority is limited to the purchase of not more than 10% of the ordinary shares in issue at the date of the purchase; the maximum price payable is 105% of the average of the middle market quotations for the 10 business days before the purchase, with a 25p minimum, exclusive of any expenses payable by the company. There have been no purchases during the year. The authority expires at the end of the annual general meeting in 1994, when shareholders will be invited to renew it.

Shareholders

As at 1st June 1994 the register maintained by the company under Section 211 of the Companies Act 1985 does not contain any notification to the company that anyone holds 3% or more of the issued ordinary share capital of the company.

Fixed assets
The group's UK freehold and long leasehold properties, excluding factories and specialised buildings, were valued by the directors in conjunction with the group's own professionally qualified staff at 31st March 1993. The valuation, which was on an open market value basis for existing use, was incorporated in the financial statements of that year. The directors are of the opinion that the market value of the group's properties at 31st March 1994 was not materially different from that stated in the financial statements.
Details of movements in fixed assets are shown on pages 51 to 54.

Staff
The company continues to involve staff in the decision-making process and communicates regularly with staff during the year. Staff involvement in the company's performance is encouraged through employee bonus and share schemes and this involvement extends to the board of Boots Pensions Ltd, on which there are four employee representatives. The company's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity regardless of sex, religion or ethnic origin. The company does all that is practicable to meet its responsibility towards the employment and training of disabled people. Where an employee becomes disabled every effort is made to provide continuity of employment in the same job or a suitable alternative.
Further information is shown on pages 26 and 27.

Charitable donations
Donations for charitable and educational purposes in the UK for the year were £1,831,000 (1993 £1,374,000). There were no political payments. Further information on community relations is shown on page 26.

Directors
Details of directors who have served throughout the year are shown on pages 8 and 9.
The Baroness Oppenheim-Barnes and Mr T G Richardson retired from the board on 22nd July 1993 and 31st December 1993 respectively.
On 24th March 1994, Sir Christopher Benson announced his intention to retire as chairman at the conclusion of the company's annual general meeting in July 1994. The board has elected Sir Michael Angus to succeed as chairman. Sir Michael was appointed as a director of the company on 24th March 1994. He retires at the annual general meeting in accordance with Article 107 and offers himself for re-election. Upon re-election he will have a 3 year service contract as chairman.
Sir Peter Reynolds retires by rotation at the annual general meeting in accordance with Article 100 and offers himself for re-election. Sir Peter has no service contract with the company.
No director had any interest, either during or at the end of the financial year, in any contract which was significant in relation to the group's business, other than a service contract.
Details of the interests of the directors and their families in the share capital of the company are shown in note 28 on page 65.
The company has maintained insurance for the directors against liabilities in relation to the company.

Company status
The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Auditors
It is proposed to re-appoint KPMG Peat Marwick as auditors and a resolution to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the board
1st June 1994
I A Hawtin
Secretary

Group profit and loss account

For the year ended 31st March 1994	Notes	Before exceptional items 1994 £m	Exceptional items (note 4) 1994 £m	Total 1994 £m	1993 £m
Turnover	2	**4,167.1**	**—**	**4,167.1**	3,962.1
Operating costs	3	**(3,681.2)**	**(73.8)**	**(3,755.0)**	(3,540.9)
Operating profit (see note below)	3	**485.9**	**(73.8)**	**412.1**	421.2
(Loss)/profit on disposal of fixed assets	4	**—**	**(4.0)**	**(4.0)**	.5
Profit on disposal of businesses	23	**—**	**9.3**	**9.3**	—
Profit on ordinary activities before interest		**485.9**	**(68.5)**	**417.4**	421.7
Net interest	5	**(1.5)**	**—**	**(1.5)**	(16.5)
Profit on ordinary activities before taxation	2	**484.4**	**(68.5)**	**415.9**	405.2
Taxation on profit on ordinary activities	6	**(140.3)**	**14.0**	**(126.3)**	(124.4)
Profit on ordinary activities after taxation		**344.1**	**(54.5)**	**289.6**	280.8
Minority interests		**(1.7)**	**—**	**(1.7)**	(1.7)
Profit for the financial year attributable to shareholders	7	**342.4**	**(54.5)**	**287.9**	279.1
Dividends	8			**(156.0)**	(139.0)
Profit retained				**131.9**	140.1
Earnings per share	9	**33.0p**	**(5.3)p**	**27.7p**	27.0p

The results for both periods are wholly attributable to the continuing operations of the group.

Operating profit for the year ended 31st March 1993 has been restated to exclude profit on fixed asset disposals which is now shown separately.

Statement of total recognised gains and losses

For the year ended 31st March 1994	1994 £m	1993 £m
Profit for the financial year attributable to shareholders	**287.9**	279.1
Surplus/(deficit) on revaluation of properties	**16.8**	(223.2)
Currency translation differences on foreign currency net investments (including goodwill)	**1.7**	34.5
Other gains and losses	**.7**	(.5)
Total recognised gains and losses for the year	**307.1**	89.9

Note of historical cost profits and losses

For the year ended 31st March 1994	1994 £m	1993 £m
Reported profit on ordinary activities before taxation	**415.9**	405.2
Realisation of property revaluation surpluses	**4.8**	13.4
Difference between historical cost depreciation charge and actual charge for the year calculated on revalued amounts	**—**	.3
Historical cost profit on ordinary activities before taxation	**420.7**	418.9
Historical cost profit retained	**136.7**	153.8

Reconciliation of movements in shareholders' funds

For the year ended 31st March 1994	1994 £m	1993 £m
Total recognised gains and losses for the year	**307.1**	89.9
Dividends	**(156.0)**	(139.0)
New share capital issued (net of expenses)	**9.3**	126.2
Goodwill purchased	**(7.1)**	(1.4)
Goodwill released on disposal of businesses	**.4**	—
Currency adjustment on goodwill	**(23.7)**	(29.0)
Net increase in shareholders' funds	**130.0**	46.7
Opening shareholders' funds	**1,478.6**	1,431.9
Closing shareholders' funds	**1,608.6**	1,478.6

Balance sheets

31st March 1994	Notes	Group 1994 £m	Group 1993 £m	Parent 1994 £m	Parent 1993 £m
Fixed assets					
Intangible assets	10	**51.4**	52.1	**11.4**	9.0
Tangible assets	11	**1,463.2**	1,397.7	**214.8**	213.8
Investments	12	**57.1**	70.8	**637.5**	912.1
		1,571.7	1,520.6	**863.7**	1,134.9
Current assets					
Stocks	13	**521.6**	553.0	**164.1**	186.2
Debtors falling due within one year	14	**361.9**	341.5	**312.8**	415.0
Debtors falling due after more than one year	14	**4.2**	5.4	**197.5**	145.0
Investments	15	**491.9**	364.1	**251.8**	184.4
Cash at bank and in hand		**11.5**	10.9	**304.7**	2
		1,391.1	1,274.9	**1,230.9**	930.8
Creditors: Amounts falling due within one year	16	**(1,010.9)**	(897.4)	**(459.3)**	(645.3)
Net current assets		**380.2**	377.5	**771.6**	285.5
Total assets less current liabilities		**1,951.9**	1,898.1	**1,635.3**	1,420.4
Creditors: Amounts falling due after more than one year	17	**(306.9)**	(385.0)	**(551.6)**	(541.7)
Provisions for liabilities and charges	19	**(29.1)**	(27.9)	**(2.9)**	(4.8)
Net assets		**1,615.9**	1,485.2	**1,080.8**	873.9
Capital and reserves					
Called up share capital	20	**260.2**	259.5	**260.2**	259.5
Share premium account	21	**204.6**	196.0	**204.6**	196.0
Revaluation reserve	21	**304.9**	292.2	**—**	
Profit and loss account	21	**838.9**	730.9	**616.0**	418.4
Shareholders' funds		**1,608.6**	1,478.6	**1,080.8**	873.9
Minority interests		**7.3**	6.6	**—**	
		1,615.9	1,485.2	**1,080.8**	873.9

Shareholders' funds and minority interests are wholly attributable to equity interests.

The financial statements were approved by the board of directors on 1st June 1994 and are signed on its behalf by:

Christopher Benson
Chairman

James Blyth
Deputy Chairman and Chief Executive

David Thompson
Finance Director

Group cash flow statement

For the year ended 31st March 1994	Notes	1994 £m	1994 £m	1993 £m	1993 £m
Net cash inflow from operating activities	22a		**635.9**		549.6
Returns on investment and servicing of finance					
Interest received		**38.4**		25.9	
Interest paid		**(38.4)**		(49.6)	
Dividends paid to shareholders		**(46.9)**		(214.5)	
Dividends paid to minority interests		**(.7)**		(.6)	
Net cash outflow from returns on investment and servicing of finance			**(47.6)**		(238.8)
Taxation					
UK corporation tax paid		**(92.5)**		(84.7)	
Overseas tax paid		**(16.1)**		(15.6)	
Tax paid			**(108.6)**		(100.3)
Investing activities					
Purchase of fixed assets		**(215.6)**		(166.4)	
Purchase of businesses	23	**(18.0)**		(1.4)	
Investment in and loans to associated undertakings		**(25.2)**		(13.3)	
Disposal of fixed assets		**27.0**		18.0	
Disposal of businesses	23	**36.6**		.5	
Increase in short term investments		**(65.6)**		(120.0)	
Net cash outflow from investing activities			**(260.8)**		(282.6)
Net cash inflow/(outflow) before financing			**218.9**		(72.1)
Financing					
Issue of ordinary share capital		**5.3**		4.6	
Issue of 10.125% bond 2017		**—**		250.8	
Bond issue expenses		**—**		(1.7)	
Investment in 10.125% bond 2017 (note 18)		**(120.3)**		—	
Capital element of finance lease rental payments		**(1.0)**		(3.4)	
Decrease in other borrowings		**(10.2)**		(66.7)	
Net cash (outflow)/inflow from financing			**(126.2)**		183.6
Increase in cash and cash equivalents			**92.7**		111.5

Notes relating to the financial statements

1. Accounting policies

The following accounting policies have been used in dealing with items which are considered material in relation to the group financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under alternative accounting rules set out in the 4th schedule to the Companies Act, 1985, being prepared under the historical cost convention adjusted by the revaluations of certain properties at open market value. A separate profit and loss account for the parent company has not been presented as permitted by section 230 of the Companies Act, 1985.

The financial statements comply with Financial Reporting Standard 4 'Capital Instruments'. No adjustments have been made to reported figures as the impact of the new requirement is not material.

Consolidation

The financial statements combine the results of the parent undertaking and all its subsidiary and associated undertakings, to the extent of group ownership and after eliminating intra-group transactions.

The results of businesses acquired or disposed of are consolidated from or to the effective dates of acquisition or disposal. Only where a disposal materially affects the nature and focus of the group's operations is the business sold treated as a discontinued operation.

Associated undertakings are those undertakings, not recognised as subsidiaries, in which the group has a participating interest of between 20% and 50% and over whose policies the group is able to exercise a significant degree of influence. The group's share of the results of associated undertakings is included in the profit and loss account and its share of their net assets excluding goodwill is included in investments in the group balance sheet.

In the parent undertaking's balance sheet, investments in subsidiary and associated undertakings are stated at cost less provision for permanent dimunition in value.

Foreign currencies

The results and cash flows of overseas subsidiaries are translated into sterling on an average exchange rate basis, weighted by the actual results of each month. Assets and liabilities including currency swaps are translated into sterling at the rates of exchange ruling at the date of the group balance sheet.

Exchange differences arising from the translation of the results and net assets of overseas subsidiaries less offsetting exchange differences on foreign currency borrowings and currency swaps hedging those assets are dealt with through reserves. For this purpose net assets include goodwill set off against reserves.

All other exchange differences are dealt with in the profit and loss account.

The cost of the parent undertaking's investment in shares in overseas subsidiaries is stated at the rate of exchange in force at the date each investment was made.

Goodwill

Goodwill on acquisitions, being the excess of the cost of investment in subsidiary and associated undertakings over the fair value of net assets acquired, is set off against reserves. On disposal of a business, any goodwill previously set off against reserves is charged in the calculation of the profit or loss on disposal.

Goodwill arising from overseas acquisitions and denominated in foreign currencies is retranslated at the rate of exchange ruling at the balance sheet date. Any gain or loss arising is recognised in the statement of total recognised gains and losses.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

Fixed assets and depreciation

No depreciation is provided on freehold land, investment properties, shop freeholds and shop long leaseholds with more than 50 years to run, nor on assets in the course of construction. In the opinion of the directors, shop properties are maintained to such a high standard by a programme of repair and refurbishment that the estimated residual values of these properties, based on the prices prevailing at the time of acquisition or subsequent revaluation, are sufficiently high to make any depreciation charge unnecessary. Any permanent diminution in the value of such properties is charged to the profit and loss account.

Other tangible fixed assets are written off by equal instalments over their expected useful lives as follows:

Freehold buildings, other than shops	40 to 66 years
Computer equipment	3 to 8 years
Motor cars	4 or 5 years
Other motor vehicles	3 to 10 years
Fixtures and plant	5 to 20 years
Shop leasehold properties	Remaining period of lease when less than 50 years
Other leasehold properties	Remaining period of lease

Investment properties are revalued annually and included in the balance sheet at their open market value. To qualify as an investment property over 50% of rental income must derive from non-group tenants.

Profits and losses arising from the disposal of properties which have previously been revalued are calculated by reference to their carrying value.

Intangible assets acquired are amortised over estimated useful lives of up to a maximum of 20 years. Similar assets, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. The carrying value of intangible assets is reviewed annually and any permanent diminution in value charged to the profit and loss account.

Research and development

Expenditure, other than on buildings and plant, is charged against profit in the year in which it is incurred.

Pension funding

The company and its UK subsidiaries operate pension schemes under which contributions by employees and by the companies are held in trust funds separated from the companies' finances. Actuarial valuations of the schemes are conducted at three-year intervals and include a review of contributions.

The cost of providing pensions is spread over the employees' working lives with the group. The cost charged to the profit and loss account in any year may not always equal the employer contributions to the pension schemes.

Leases

The rental costs of properties and other assets acquired under operating leases are charged to the profit and loss account.

The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the profit and loss account on a straight line basis.

Deferred taxation

A deferred taxation provision is made only where the effects of timing differences between profits as stated in the financial statements and as computed for tax purposes are likely to reverse in the foreseeable future. Advance corporation tax is carried forward to the extent it is expected to be recovered.

No provision is made for any potential liability to corporation tax on capital gains arising on disposals of assets where the liability is expected to be deferred indefinitely. No provision is made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiaries and associates as there is no present intention to remit the major part of these profits.

Turnover

Turnover comprises sales to external customers (excluding VAT and other sales taxes) and rental income.

Exceptional items

Exceptional items are those which fall within the ordinary activities of the group and which need to be disclosed by virtue of their size or incidence. Such items are included within operating profit unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the group's operations, profits or losses on the disposal of fixed assets (other than marginal adjustments to depreciation previously charged), or provisions in respect of such items. In these cases, separate disclosure is provided on the face of the profit and loss account after operating profit.

2. Segmental information

The segmental analysis has been revised to reflect the current operating structure of the group and comparatives have been restated accordingly.

a Turnover by business segment	Total 1994 £m	Inter-segment 1994 £m	External 1994 £m	Total 1993 £m	Inter-segment 1993 £m	External 1993 £m
Boots Pharmaceuticals	**510.5**	**18.2**	**492.3**	480.8	17.6	463.2
Boots Healthcare International	**155.3**	**20.9**	**134.4**	146.8	22.4	124.4
Boots Contract Manufacturing	**208.8**	**178.3**	**30.5**	195.2	164.1	31.1
Boots The Chemists	**2,808.0**	**—**	**2,808.0**	2,663.9	—	2,663.9
Retail Division						
Childrens World	**84.1**	**—**	**84.1**	70.2	—	70.2
Boots Opticians	**102.1**	**—**	**102.1**	93.9	—	93.9
Halfords	**357.0**	**.9**	**356.1**	327.2	.9	326.3
A G Stanley	**111.6**	**—**	**111.6**	111.6	—	111.6
Share of Do It All	**194.2**	**—**	**194.2**	200.2	—	200.2
Sephora (see note below)	**24.5**	**—**	**24.5**	69.1	—	69.1
	873.5	**.9**	**872.6**	872.2	.9	871.3
Boots Properties						
Development	**20.7**	**—**	**20.7**	1.1	—	1.1
Investment	**87.7**	**78.0**	**9.7**	82.9	75.6	7.3
	108.4	**78.0**	**30.4**	84.0	75.6	8.4
	4,664.5	**296.3**	**4,368.2**	4,442.9	280.6	4,162.3
Analysed as:						
Group profit and loss account			**4,167.1**			3,962.1
Share of associated undertakings			**201.1**			200.2
			4,368.2			4,162.3

Sephora was sold on 22nd July 1993.

b Profit by business segment

	Before exceptional items 1994 £m	Exceptional items (note 4) 1994 £m	Total 1994 £m	1993 £m
Boots Pharmaceuticals (see note below)	**94.2**	**(35.0)**	**59.2**	91.4
Boots Healthcare International	**6.6**	—	**6.6**	2.6
Boots Contract Manufacturing	**16.2**	—	**16.2**	13.1
Boots The Chemists	**322.9**	—	**322.9**	285.0
Retail Division				
Childrens World	**(1.6)**	—	**(1.6)**	(3.3)
Boots Opticians	**6.7**	—	**6.7**	6.6
Halfords	**14.7**	—	**14.7**	4.7
A G Stanley	**(.8)**	—	**(.8)**	2.8
Share of Do It All	**(12.2)**	**(36.6)**	**(48.8)**	(14.4)
Sephora	**.2**	—	**.2**	.2
	7.0	**(36.6)**	**(29.6)**	(3.4)
Boots Properties				
Development	**5.8**	—	**5.8**	(2.3)
Investment	**61.3**	—	**61.3**	56.6
	67.1	—	**67.1**	54.3
Group costs	**(28.1)**	**(2.2)**	**(30.3)**	(21.8)
Operating profit	**485.9**	**(73.8)**	**412.1**	421.2
Profit on disposal of fixed assets and businesses (net)	—	**5.3**	**5.3**	.5
Net interest	**(1.5)**	—	**(1.5)**	(16.5)
Profit before tax	**484.4**	**(68.5)**	**415.9**	405.2

The Boots Pharmaceuticals result for the year ended 31st March 1993 includes an exceptional charge of £3.0m.

2. Segmental information continued

c Net operating assets by business segment

	1994 £m	1993 £m
Boots Pharmaceuticals	**227.3**	267.6
Boots Healthcare International	**62.5**	67.4
Boots Contract Manufacturing	**98.1**	94.6
Boots The Chemists	**471.6**	442.8
Retail Division	**194.7**	217.7
Boots Properties	**774.6**	736.0
Net operating assets	**1,828.8**	1,826.1
Unallocated liabilities	**(212.9)**	(340.9)
	1,615.9	1,485.2

Net operating assets include intangible and tangible fixed assets, fixed asset investments, stocks, third party debtors and creditors and inter-segmental trading balances. Unallocated liabilities include all current taxation balances, dividend creditors, net cash/borrowings and provisions for liabilities and charges.

d Turnover by geographical segment

	Origin 1994 £m	Origin 1993 £m	Destination 1994 £m	Destination 1993 £m
UK	**3,724.3**	3,520.1	**3,615.3**	3,396.1
Rest of Europe	**183.5**	222.7	**208.5**	243.6
US	**180.6**	[illegible]	**196.5**	192.8
Rest of World	**118.2**	[illegible]	**146.8**	129.6
Inter-segment	**(39.5)**	(50.5)	**—**	
	4,167.1	3,962.1	**4,167.1**	3,962.1

e Operating profit by geographical origin

	Before exceptional items 1994 £m	Exceptional items (note 4) 1994 £m	Total 1994 £m	1993 £m
UK	**405.3**	**(65.9)**	**339.4**	358.5
Rest of Europe	**11.9**	**—**	**11.9**	9.4
US	**78.9**	**(5.7)**	**73.2**	58.0
Rest of World	**17.9**	**—**	**17.9**	17.1
Group costs	**(28.1)**	**(2.2)**	**(30.3)**	(21.8)
	485.9	**(73.8)**	**412.1**	421.2

f Net operating assets by geographical segment

	1994 £m	1993 £m
UK	**1,669.9**	1,659.8
Rest of Europe	**38.6**	53.0
US	**79.4**	73.2
Rest of World	**40.9**	40.1
Net operating assets	**1,828.8**	1,826.1
Unallocated liabilities	**(212.9)**	(340.9)
	1,615.9	1,485.2

3. Operating profit

	Before exceptional items 1994 £m	Exceptional items (note 4) 1994 £m	Total 1994 £m	1993 £m
Turnover	**4,167.1**	**—**	**4,167.1**	3,962.1
Cost of sales	**(2,221.2)**	**(37.2)**	**(2,258.4)**	(2,120.4)
Gross profit	**1,945.9**	**(37.2)**	**1,908.7**	1,841.7
Selling, distribution and store costs	**(1,176.7)**	**—**	**(1,176.7)**	(1,146.7)
Research and development costs	**(67.6)**	**—**	**(67.6)**	(66.8)
Administrative expenses	**(228.2)**	**—**	**(228.2)**	(214.7)
Licence income	**26.8**	**—**	**26.8**	28.3
Loss from interests in associated undertakings	**(14.3)**	**(36.6)**	**(50.9)**	(20.6)
	485.9	**(73.8)**	**412.1**	421.2

The 1993 analysis has been reclassified to align with the basis adopted in 1994.

Total operating profit is after charging:				
Operating lease rentals				
— Property rents	**135.5**	**2.2**	**137.7**	122.7
— Computer and plant hire	**8.2**	**—**	**8.2**	8.6
Depreciation and amortisation	**108.0**	**18.2**	**126.2**	102.6
Auditors' remuneration	**1.0**	**—**	**1.0**	1.0

The group auditors also received £.2m (1993 £.7m) in respect of non-audit services in the UK and £.3m (1993 £.3m) from overseas subsidiaries.

4. Exceptional items

	Notes	1994 £m	1993 £m
Charged in arriving at operating profit:			
Manoplax write-off costs	a	**(35.0)**	(3.0)
Do It All restructuring costs	b	**(36.6)**	—
Privity of contract costs	c	**(2.2)**	—
		(73.8)	(3.0)
(Loss)/profit on disposal of fixed assets:			
Profit/(loss) on disposal of properties		**6.7**	(1.2)
(Provision for loss)/profit on disposal of intangible assets		**(10.7)**	1.7
		(4.0)	.5
Profit on disposal of businesses (note 23)		**9.3**	—
		(68.5)	(2.5)
Attributable tax credit (note 6)		**14.0**	.6
		(54.5)	(1.9)

a In July 1993, Manoplax, Boots Pharmaceuticals' treatment for congestive heart failure, was voluntarily withdrawn from sale. The exceptional charge of £35.0m comprises write-offs and provisions against stock and manufacturing plant. A further £14.0m has been charged to Boots Pharmaceuticals covering redundancies and the completion of clinical trial studies, although there have been matching savings on aborted research and marketing costs. £3.0m was provided in March 1993 in respect of the 100mg dosage.

b In October 1993, Do It All announced plans for a major restructuring including the closure and disposal of a significant number of stores. The exceptional charge of £36.6m represents the group's share of the restructuring costs.

c A provision of £2.2m has been made for anticipated costs in the UK relating to businesses sold by the Ward White Group prior to its acquisition in 1989 which arise from leases where the assignees have defaulted.

5. Net interest

	1994 £m	1993 £m
Interest receivable and similar income:		
Listed investments	**1.1**	.1
Short term deposits	**27.7**	26.7
Loans to associated undertakings	**.7**	1.5
	29.5	28.3
Increase in value of investment in 10.125% bond 2017 (note 18)	**7.8**	—
Interest payable and similar charges:		
Repayable within five years:		
— Bank and other loans	**(17.9)**	(26.5)
— Interest capitalised	**.5**	.1
— Finance lease charges	**(.2)**	(.3)
Loans repayable after five years:		
— Loans and debentures	**(25.3)**	(18.5)
— Income from interest rate swaps	**4.1**	.4
	(38.8)	(44.8)
	(1.5)	(16.5)

6. Taxation

	1994 £m	1993 £m
The charge on the profit for the year consists of:		
UK corporation tax at 33% (1993 33%)	**119.5**	116.5
Deferred taxation	**(.6)**	(1.5)
Relief for overseas taxation	**(7.1)**	(4.6)
Share of taxation of associated undertakings	**(10.3)**	(4.3)
Total UK taxation	**101.5**	106.1
Overseas taxation	**20.9**	15.3
Overseas deferred taxation	**3.9**	3.0
	126.3	124.4
Tax credit included above attributable to exceptional items:		
Manoplax write-off costs	**5.5**	6
Do It All restructuring costs	**6.4**	—
Privity of contract costs	**.7**	—
(Loss)/profit on disposal of fixed assets	**1.4**	—
Profit on disposal of businesses	**—**	—
	14.0	.6

7. Profit for the financial year attributable to shareholders

Of the profit attributable to shareholders £353.6m (1993 £59.5m) is dealt with in the financial statements of the parent company.

8. Dividends

	1994 £m	1993 £m
Interim paid of **4.9p** per share (1993 4.6p)	**50.9**	47.6
Second interim paid of **nil p** per share (1993 8.8p)	**—**	91.4
Final proposed of **10.1p** per share (1993 nil p)	**105.1**	
15.0p 13.4p	**156.0**	139.0

9. Earnings per share

	1994	1993
Earnings per share before exceptional items	**33.0p**	27.1p
Effect of exceptional items	**(5.3)p**	(.1)p
Earnings per share	**27.7p**	27.0p

The calculation of earnings per share is based on 1,039.0m (1993 1,035.5m) average ordinary shares in issue, weighted on a time basis, and profit for the financial year attributable to shareholders of £287.9m (1993 £279.1m). The fully diluted earnings per share would not be materially different.

Earnings per share before exceptional items is also disclosed to reflect the underlying performance of the group. This calculation is based on profit for the financial year before exceptional items and related tax of £342.4m (1993 £281.0m).

10. Intangible fixed assets

Patents, trade marks and other product rights acquired.	Group £m	Parent £m
Cost		
At 1st April 1993	64.3	15.6
Additions	3.3	3.2
Purchase of businesses	9.6	—
Currency adjustments	.2	—
At 31st March 1994	**77.4**	**18.8**
Amortisation		
At 1st April 1993	12.2	6.6
Amortisation for year	3.1	.8
Exceptional provision (note 4)	10.7	—
At 31st March 1994	**26.0**	**7.4**
Net book value at 1st April 1993	52.1	9.0
Net book value at 31st March 1994	**51.4**	**11.4**

11. Tangible fixed assets

Group	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
Cost or valuation					
At 1st April 1993	828.0	280.0	834.9	40.6	1,983.5
Currency adjustments	(.3)	(.8)	(2.1)	(.1)	(3.3)
Additions	46.3	38.5	88.8	50.4	224.0
Purchase of businesses	1.1	.8	.1	—	2.0
Disposals	(17.2)	(12.1)	(26.9)	—	(56.2)
Disposal of businesses	(12.5)	(4.6)	(29.8)	—	(46.9)
Reclassifications	10.0	11.1	33.6	(54.7)	—
Property development transfers	(1.7)	—	—	—	(1.7)
Revaluation surplus	16.8	—	—	—	16.8
At 31st March 1994	**870.5**	**312.9**	**898.6**	**36.2**	**2,118.2**
Gross book value of depreciable assets	211.6	312.9	898.6	22.9	1,446.0
Depreciation					
At 1st April 1993	41.9	131.8	412.1	—	585.8
Currency adjustments	(.3)	(.7)	(1.5)	—	(2.5)
Depreciation for year	6.3	43.2	73.6	—	123.1
Purchase of businesses	.3	.5	.1	—	.9
Disposals	(.3)	(7.9)	(19.0)	—	(27.2)
Disposal of businesses	(1.9)	(2.4)	(20.8)	—	(25.1)
Reclassifications	—	.6	(.6)	—	—
At 31st March 1994	**46.0**	**165.1**	**443.9**	**—**	**655.0**
Net book value at 1st April 1993	786.1	148.2	422.8	40.6	1,397.7
Net book value at 31st March 1994	**824.5**	**147.8**	**454.7**	**36.2**	**1,463.2**

The net book value of tangible fixed assets includes £3.2m (1993 £7.2m) in respect of assets held under finance leases, on which the depreciation charge for the year was £1.7m (1993 £1.7m).

Land and buildings include investment properties as follows:	£m
Valuation	
At 1st April 1993	50.7
Additions	25.0
Disposals	(.5)
Revaluation surplus	18.1
At 31st March 1994	**93.3**

Investment properties were valued on the basis of open market value at 31st March 1994 by the group's own professionally qualified staff.

In accordance with SSAP19, no depreciation is provided in respect of investment properties. This represents a departure from the Companies Act requirement to provide for the systematic annual depreciation of fixed assets. However, these properties are held for investment, rather than consumption, and the directors consider that the adoption of the above policy is necessary to give a true and fair view.

Parent	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
Cost or valuation					
At 1st April 1993	47.5	182.2	143.6	26.6	399.9
Additions	.7	25.8	21.2	10.3	58.0
Disposals	(7.3)	(5.8)	(1.7)	—	(14.8)
Reclassifications and transfers	10.9	8.0	12.3	(27.2)	4.0
At 31st March 1994	**51.8**	**210.2**	**175.4**	**9.7**	**447.1**
Gross book value of depreciable assets	50.9	210.2	175.4	9.7	446.2
Depreciation					
At 1st April 1993	17.3	86.3	82.5	—	186.1
Depreciation for year	2.3	32.0	16.8	—	51.1
Disposals	—	(3.8)	(1.3)	—	(5.1)
Transfers	—	(.2)	.4	—	.2
At 31st March 1994	**19.6**	**114.3**	**98.4**	**—**	**232.3**
Net book value at 1st April 1993	30.2	95.9	61.1	26.6	213.8
Net book value at 31st March 1994	**32.2**	**95.9**	**77.0**	**9.7**	**214.8**

Notes	Group 1994 £m	Group 1993 £m	Parent 1994 £m	Parent 1993 £m
Net book value of land and buildings comprises:				
Freehold	**677.1**	633.8	**32.2**	30.2
Long leasehold (more than 50 years unexpired)	**123.0**	118.9	**—**	
Short leasehold	**24.4**	33.4	**—**	
	824.5	786.1	**32.2**	30.2
Analysis of cost or valuation:				
Cost	**1,357.9**	1,251.0	**440.7**	393.5
Directors' valuation 1993	**658.2**	672.9	**—**	—
Independent valuation 1989	**.7**	.7	**—**	—
1965	**.4**	.4	**—**	—
1958	**7.7**	7.8	**6.4**	6.4
Investment properties	**93.3**	50.7	**—**	—
	2,118.2	1,983.5	**447.1**	399.9
Net book value of tangible fixed assets under the historical cost convention	**1,160.1**	1,105.6	**214.1**	213.1

The last valuation of the group's UK freehold and long leasehold properties, excluding factories and specialised buildings, was carried out at 31st March 1993 by the directors in conjunction with the group's own professionally qualified staff. The valuation was on an open market basis for existing use and the identified shortfall of £223.2m was accounted for in the financial statements for the year ended on that date.

12. Fixed asset investments

Group	Equity £m	Loans £m	Total £m
Investment in associated undertakings:			
At 1st April 1993	50.8	20.0	70.8
Additions	5.2	20.0	25.2
Loss for the year	(40.6)	—	(40.6)
Capitalisation of loans	20.0	(20.0)	—
Currency adjustments	1.7	—	1.7
At 31st March 1994	**37.1**	**20.0**	**57.1**

Parent	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Shares in associated undertakings £m	Loans to associated undertakings £m	Total £m
Cost					
At 1st April 1993	1,144.9	197.7	97.3	20.0	1,459.9
Additions	213.3	8.1	—	20.0	241.4
Capitalisation of loans	—	—	20.0	(20.0)	—
Disposals and repayments	(780.6)	(38.7)	—	—	(819.3)
Currency adjustments	—	4.0	—	—	4.0
At 31st March 1994	**577.6**	**171.1**	**117.3**	**20.0**	**886.0**
Provision					
At 1st April 1993	540.1	7.7	—	—	547.8
Movement	(361.3)	—	62.0	—	(299.3)
At 31st March 1994	**178.8**	**7.7**	**62.0**	**—**	**248.5**
Net book value at 1st April 1993	604.8	190.0	97.3	20.0	912.1
Net book value at 31st March 1994	**398.8**	**163.4**	**55.3**	**20.0**	**637.5**

The principal subsidiary and associated undertakings are listed on pages 67 and 68.

13. Stocks

	Group 1994 £m	Group 1993 £m	Parent 1994 £m	Parent 1993 £m
Manufacturing:				
Raw materials	**29.4**	32.8	**14.0**	16.2
Work in progress	**19.1**	23.2	**13.4**	16.5
Finished goods	**46.1**	60.0	**19.1**	32.1
	94.6	116.0	**46.5**	64.8
Retailing	**416.0**	419.6	**117.6**	121.4
Property development	**11.0**	17.4	**—**	—
	521.6	553.0	**164.1**	186.2

Property development stock includes capitalised interest net of taxation of £.3m (1993 £.8m).

14. Debtors

	Group 1994 £m	Group 1993 £m	Parent 1994 £m	Parent 1993 £m
Falling due within one year:				
Trade debtors	**199.2**	187.4	**21.8**	33.1
Owed by subsidiary undertakings	**—**	—	**261.8**	291.1
Owed by associated undertakings	**.2**	.2	**.2**	.2
Other debtors	**21.9**	35.2	**13.0**	12.0
Prepayments and accrued income	**55.6**	54.9	**16.0**	16.6
Corporation tax	**85.0**	63.8	**—**	62.0
	361.9	341.5	**312.8**	415.0
Falling due after more than one year:				
Owed by subsidiary undertakings	**—**	—	**189.4**	141.2
Other debtors	**4.2**	5.4	**8.1**	3.8
	4.2	5.4	**197.5**	145.0
	366.1	346.9	**510.3**	560.0

15. Current asset investments

	Group 1994 £m	Group 1993 £m	Parent 1994 £m	Parent 1993 £m
Listed investments	**.6**	.6	**.5**	.5
Short term deposits	**479.8**	357.2	**239.8**	178.7
Certificates of tax deposit	**11.5**	6.3	**11.5**	5.2
	491.9	364.1	**251.8**	184.4
Market value of investments listed on The London Stock Exchange	**.6**	.6	**.5**	.5

In common with a number of international businesses, the group includes a US subsidiary which operates a manufacturing plant in Puerto Rico. Cash generated from this operation is invested locally in US dollar denominated instruments. There is no restriction on remittance of funds from Puerto Rico, although there is currently no intention to do so. At 31st March 1994, the investments amounted to £192.1m (1993 £144.0m).

16. Creditors: Amounts falling due within one year

	Group 1994 £m	Group 1993 £m	Parent 1994 £m	Parent 1993 £m
Borrowings (note 18)	**166.5**	208.7	**23.2**	289.7
Trade creditors	**256.5**	240.3	**184.3**	170.7
Bills of exchange	**1.7**	5.5	**.2**	.3
Due to subsidiary undertakings	**—**	—	**52.8**	48.4
Corporation tax	**58.2**	120.4	**3.8**	—
Advance corporation tax	**157.9**	45.0	**—**	45.0
Taxation and social security (including value added and other sales taxes)	**61.9**	55.7	**15.5**	10.2
Other creditors	**99.1**	129.2	**40.5**	52.5
Accruals	**104.0**	92.6	**33.9**	28.5
Proposed dividend	**105.1**	—	**105.1**	—
	1,010.9	897.4	**459.3**	645.3

17. Creditors: Amounts falling due after more than one year

	Group 1994 £m	Group 1993 £m	Parent 1994 £m	Parent 1993 £m
Borrowings (note 18)	**267.9**	370.1	**368.2**	366.7
Due to subsidiary undertakings	**—**	—	**158.5**	173.1
Other creditors	**3.8**	3.5	**1.4**	1.9
Accruals and deferred income	**35.2**	11.4	**23.5**	—
	306.9	385.0	**551.6**	541.7

18. Borrowings

	Group 1994 £m	Group 1993 £m	Parent 1994 £m	Parent 1993 £m
Bank loans and overdrafts	**132.3**	156.5	**—**	237.6
Variable rate notes	**23.2**	27.7	**23.2**	26.6
7¾% stock 1988/93	**—**	5.7	**—**	5.7
Bank acceptances	**—**	19.8	**—**	19.8
US$175m 9% bond 1997	**118.2**	116.7	**118.2**	116.7
10.125% bond 2017	**134.9**	250.0	**250.0**	250.0
Net liability under currency swaps	**22.8**	—	**—**	—
Obligations under finance leases	**3.0**	2.4	**—**	—
	434.4	578.8	**391.4**	656.4
Amounts included above repayable by instalments	**137.9**	2.4	**—**	—
Repayments fall due as follows:				
Within one year:				
— Bank loans, overdrafts and acceptances	**131.0**	174.7	**—**	257.4
— Other borrowings	**35.5**	34.0	**23.2**	32.3
	166.5	208.7	**23.2**	289.7
After more than one year:				
— Within one to two years	**14.6**	3.4	**—**	—
— Within two to five years	**168.8**	116.7	**118.2**	116.7
— After five years — by instalments	**82.3**	—	**—**	—
— not by instalments	**2.2**	250.0	**250.0**	250.0
	267.9	370.1	**368.2**	366.7
	434.4	578.8	**391.4**	656.4

Overdrafts of certain subsidiaries amounting to £3.1m at 31st March 1994 (1993 £2.3m) were secured on the assets of those subsidiaries. All other borrowings are unsecured.

Variable rate notes are repayable at the option of the holders.

The group has a number of US$ currency swaps in place, which are equivalent to borrowing US dollars and depositing sterling for a fixed period. The US$ liability created in this way is US$435m. The net liability shown above is the difference between the effective US dollars borrowed, translated into sterling at year end rate, and the effective sterling deposited.

At 31st March 1994, the group had arranged interest rate swap agreements which effectively converted £125m of the £250m bond from a fixed rate of 10.125% to a floating rate.

During the year, a subsidiary, Boots Investments Limited, purchased for a net £107.3m all the £250m 10.125% bond 2017 of The Boots Company PLC together with all outstanding interest coupons other than those maturing on or before 24th June 2002. The group balance sheet consolidates the £250m borrowing by the parent company with the present value of the investment held by the subsidiary.

19. Provisions for liabilities and charges

Group

	Deferred taxation £m	Other provisions £m	Total £m
At 1st April 1993	13.7	14.2	27.9
Acquisitions	—	.2	.2
Utilised	—	(2.1)	(2.1)
Profit and loss account	3.3	—	3.3
Currency adjustments	.3	.2	.5
Revaluation reserve	(.7)	—	(.7)
At 31st March 1994	**16.6**	**12.5**	**29.1**

There remains considerable uncertainty regarding the extent of possible environmental liabilities in respect of former involvement in an agro-chemical joint venture in the US. Of the £10m provision set up in 1992, £9.9m included in other provisions remains unutilised at 31st March 1994 and, in the opinion of the directors, is still required to cover potential liabilities.

Parent

	Deferred taxation £m
At 1st April 1993	4.8
Profit and loss account	(1.9)
At 31st March 1994	**2.9**

	Group 1994 £m	Group 1993 £m	Parent 1994 £m	Parent 1993 £m
Analysis of deferred taxation provision:				
Capital allowances	**17.6**	16.7	**2.2**	3.0
Capital gains taxation	**—**	.7	**—**	—
Other item	**(1.0)**	(3.7)	**.7**	1.8
	16.6	13.7	**2.9**	4.8
Unprovided deferred taxation:				
Capital allowances	**67.0**	69.1	**27.5**	30.2
Capital gains rolled over (net of capital losses)	**—**	6.7	**—**	—
Other items	**(1.4)**	(3.7)	**—**	—
	65.6	72.1	**27.5**	30.2

It is not anticipated that any significant taxation will become payable on the revaluation surplus, as taxation on gains on properties used for the purposes of the group's trade is expected to be deferred indefinitely.

20. Share capital

	1994 £m	1993 £m
Ordinary shares of 25p each:		
Authorised	300.0	300.0
Allotted, called up and fully paid	260.2	259.5

Details of ordinary shares allotted during the year are as follows:	Scrip dividends	Option schemes	Total
Number of shares allotted (million)	.8	2.0	2.8
	£m	£m	£m
Nominal value	.2	.5	.7
Share premium	3.8	5.0	8.8
Consideration	4.0	5.5	9.5

During the year approximately 24% of shareholders owning 8% of shares elected to take all or part of their dividends in shares, where this option was available.

Under a savings-related scheme, options may be granted enabling employees with over one years' service (or less in the case of senior staff) to subscribe for ordinary shares at approximately 80% of market price. At 31st March 1994, options exercisable from 1994 to 2001 at between 193p and 418p per share were outstanding in respect of 10,906,780 shares.

Under an executive share option scheme certain senior executives are granted options to subscribe for ordinary shares after a period of three years from date of grant. At 31st March 1994, such options were outstanding as follows:

Number of shares	Option price	Exercisable from	To
40,000	195p	—	August 1995
42,500	307p	—	June 1997
292,500	257p	—	December 1999
470,000	286p	—	July 2000
162,000	339p	—	December 2000
1,837,500	399p	July 1994	July 2001
103,500	420p	December 1994	December 2001
612,500	437p	August 1995	August 2002
17,500	530p	December 1995	December 2002
952,500	438p	June 1996	June 2003
27,500	523p	November 1996	November 2003

On any date, the aggregate nominal amount of new shares over which options may be granted, when added to the nominal amount of new shares issued and remaining issuable in respect of options granted in the previous ten years under all of the company's employee share schemes, may not exceed 10% of the nominal amount of shares in issue immediately before that date.

21. Reserves

Group	Share premium account £m	Revaluation reserve £m	Profit and loss account £m	Share of associated undertakings £m	Total £m
At 1st April 1993	196.0	292.2	755.0	(24.1)	1,219.1
Profit retained	—	—	172.5	(40.6)	131.9
Movement in goodwill (see below)	—	—	(30.4)	—	(30.4)
Revaluation surplus	—	16.8	—	—	16.8
Revaluation surplus realised on disposals	—	(4.8)	4.8	—	—
Issue of shares	8.8	—	—	—	8.8
Share issue expenses	(.2)	—	—	—	(.2)
Deferred taxation	—	.7	—	—	.7
Currency adjustments on:					
— Goodwill (see below)	—	—	23.7	—	23.7
— Assets and results	—	—	5.4	1.7	7.1
— Borrowings and currency swaps	—	—	(29.1)	—	(29.1)
At 31st March 1994	**204.6**	**304.9**	**901.9**	**(63.0)**	**1,348.4**

The revaluation reserve includes £19.8m (1993 £1.7m) relating to investment properties.

Goodwill set off against reserves in respect of businesses still within the group is as follows:	Cost £m	Currency adjustment £m	Total £m
At 1st April 1993	1,305.9	(25.0)	1,280.9
Goodwill purchased	7.1	—	7.1
Goodwill released on disposal of businesses	(.4)	—	(.4)
Currency adjustment	—	23.7	23.7
At 31st March 1994	1,312.6	(1.3)	1,311.3

Parent	Share premium account £m	Profit and loss account £m	Total £m
At 1st April 1993	196.0	418.4	614.4
Profit retained	—	197.6	197.6
Issue of shares	8.8	—	8.8
Share issue expenses	(.2)	—	(.2)
At 31st March 1994	**204.6**	**616.0**	**820.6**

22. Notes to the group cash flow statement

a Reconciliation of operating profit to net cash inflow from operating activities

	1994 £m	1993 £m
Operating profit	**412.1**	421.2
Loss from interests in associated undertakings	**50.9**	20.6
Depreciation and amortisation	**126.2**	102.6
Loss on disposal of tangible fixed assets, excluding properties	**7.0**	6.0
Decrease/(increase) in stocks	**20.0**	(27.0)
Decrease/(increase) in debtors	**4.0**	(28.2)
Increase in creditors	**17.8**	61.6
Provisions utilised	**(2.1)**	(7.2)
Net cash inflow from operating activities	**635.9**	549.6

b Analysis of cash, cash equivalents, investments and borrowings

	Cash and cash equivalents 1994 £m	Investments and borrowings 1994 £m	Cash and cash equivalents 1993 £m	Investments and borrowings 1993 £m
Cash at bank and in hand	**11.5**	**—**	10.9	—
Current asset investments (note 15):				
— Listed investments	**—**	**.6**	—	.6
— Short term deposits	**196.0**	**283.8**	147.1	210.1
— Certificates of tax deposit	**—**	**11.5**	—	6.3
	207.5	**295.9**	158.0	217.0
Borrowings (note 18):				
— Due within one year	**(128.2)**	**(38.3)**	(172.7)	(36.0)
— Due after more than one year	**—**	**(267.9)**	—	(370.1)
	(128.2)	**(306.2)**	(172.7)	(406.1)
	79.3	**(10.3)**	(14.7)	(189.1)
Net cash/(debt)		**69.0**		(203.8)

Cash equivalents are highly liquid deposits which are readily convertible into known amounts of cash and which were, within three months of maturity when acquired, less advances from banks repayable within three months from the date of advance.

Investments and borrowings have original maturities of more than three months.

c Analysis of changes in cash and cash equivalents during the year	1994 £m	1993 £m
At 1st April 1993	(14.7)	(125.6)
Net cash inflow	92.7	111.5
Currency adjustments	1.3	(0.6)
At 31st March 1994	79.3	(14.7)

d Analysis of changes in financing during the year	Share capital and premium 1994 £m	Borrowings and finance leases 1994 £m	Share capital and premium 1993 £m	Borrowings and finance leases 1993 £m
At 1st April 1993	455.5	406.1	331.0	[illegible]
Cash inflows/(outflows) from financing	5.3	(131.5)	2.9	(179.9)
Scrip dividends	4.0	—	8.3	
Conversion of capital bonds	—	—	113.3	(113.3)
Net liability under currency swaps	—	22.8		
Currency adjustments	—	2.1		15.8
Other non-cash adjustments	—	6.7		1.8
At 31st March 1994	464.8	306.2	455.5	406.1

e Analysis of movement in net cash/(debt)	1994 £m	1993 £m
At 1st April 1993	(203.8)	(362.3)
Increase in cash and cash equivalents	92.7	111.5
Movement in funds with maturity of more than three months	197.1	(59.9)
Conversion of capital bonds	—	113.3
Net liability under currency swaps	(22.8)	
Currency and other non-cash adjustments	5.8	(6.4)
At 31st March 1994	69.0	(203.8)

23. Purchase and disposal of businesses

	Purchases 1994 £m	Purchases 1993 £m	Disposals 1994 £m	Disposals 1993 £m
Intangible fixed assets	9.6	—	—	
Tangible fixed assets	1.1	—	(21.8)	
Stocks	1.0	—	(13.0)	
Debtors	1.8	—	(3.2)	
Cash and bank	(1.2)	—	(7.3)	
Creditors	(2.6)	—	11.1	
Net assets acquired/(disposed of)	9.7	—	(34.2)	
Goodwill purchased	7.1	1.4	—	
Goodwill written back on disposals	—	—	(.4)	
Costs of disposals	—	—	(2.7)	
Consideration	(16.8)	(1.4)	46.6	
Profit on disposals	—		9.3	
Net cash (outflow)/inflow:				
Cash consideration (paid)/received	(16.8)	(1.4)	46.6	
Cash and bank balances acquired/sold	(1.2)	—	(7.3)	
Costs of disposals paid	—	—	(2.7)	
Deferred receipts from disposal of businesses	—	—	—	5
	(18.0)	(1.4)	36.6	5

The group acquired two consumer healthcare businesses in Europe during the year. The fair value adjustments and restructuring provisions attributable to the acquisitions were not material.

The profit on disposal of businesses relates to the sale of Beaute, Hygiene et Soins, SA, which operated its French retail subsidiary, Sephora, and the Boots Print packaging business.

The impact of acquisitions and disposals on the group's operating profit and cash flows was not material.

24. Commitments and contingent liabilities

a Future capital expenditure approved by the directors and not provided for in these financial statements is as follows:

	Group 1994 £m	Group 1993 £m	Parent 1994 £m	Parent 1993 £m
Contracts placed	70.3	54.5	17.2	24.3
Contracts not placed	177.1	74.4	12.3	19.4
	247.4	128.9	29.5	43.7

b Annual commitments under operating leases at 31st March 1994 are as follows:

	Group Land and Buildings £m	Group Other £m	Parent Land and Buildings £m	Parent Other £m
Expiring:				
Within one year	20.1	2.3	6.2	—
Over one year and less than five years	10.2	4.1	.1	.1
Over five years	110.7	—	7.9	—
	141.0	6.4	14.2	.1

c The parent company has guaranteed borrowings of an associated undertaking up to a maximum of £30m (1993 £30m).

d The parent company has given its bankers the right to set off credit balances on its current accounts against amounts owed to the bank on current account by its UK subsidiaries. At 31st March 1994, the contingent liability was £304.7m (1993 £nil).

25. Pensions

The group operates pension schemes throughout the world, most of which are final salary (defined benefit) schemes and are fully funded.

The principal UK pension scheme is Boots Pension Scheme, the cost of which is determined by Bacon and Woodrow, consulting actuaries. There was no pension cost for Boots Pension Scheme in the year (1993 nil), reflecting the results of the 1st April 1992 valuation. The zero charge arises as a result of amortisation of the surplus. Surpluses disclosed at the 1989 and 1992 valuations are being recognised over the expected average remaining service life of members at those valuations. The remaining amortisation period for the surplus disclosed at the April 1989 valuation is approximately eight years. The further surplus disclosed at the April 1992 valuation is being recognised over 13 years from that date.

The projected unit method was used both in assessing pension costs for accounting purposes and for funding the scheme. The assumed rate of investment return was 2% per annum above the assumed rate of pay increases, excluding promotional increases, 4% per annum above the assumed rate of pension increases and 4½% per annum above the assumed rate of dividend increases. Members retiring are assumed to be replaced by new entrants so that the average age of membership remains constant. The market value of the scheme's assets was £1,032 million at 1st April 1992. The results of the valuation show that the actuarial value of the assets at 1st April 1992 represented 131% of the actuarial value of the accrued benefits. The accrued benefits include all benefits for pensioners and other former members as well as benefits based on service to the valuation date for active members, allowing for future pay increases. Employer contributions are equal to the pension costs recognised in the group financial statements. In common with other companies, additional pension arrangements are being made for those more recently recruited senior executives whose benefits, relative to long serving staff, are subject to statutory restrictions.

26. Staff numbers and costs

The average number of persons employed by the group during the year was as follows:	1994	1993
Boots Pharmaceuticals	**7,350**	7,636
Boots Healthcare International	**1,083**	1,024
Boots Contract Manufacturing	**3,144**	3,151
Boots The Chemists	**51,300**	51,312
Childrens World	**1,969**	1,704
Boots Opticians	**2,811**	2,336
Halfords	**8,946**	8,812
A G Stanley	**2,230**	2,185
Sephora	**228**	777
Boots Properties	**61**	54
Central	**977**	947
Total employees	**80,099**	79,738

Total number of persons employed by the group at 31st March 1994 was 79,326 (1993 78,707).

The aggregate payroll cost was as follows:	£m	£m
Wages and salaries	**745.9**	715.3
Social security costs	**67.5**	64.8
Other pension costs	**4.8**	4.5
	818.2	784.6

27. Remuneration of directors

	Chairman 1994 £000	Chairman 1993 £000	Chief Executive 1994 £000	Chief Executive 1993 £000	All 1994 £000	All 1993 £000
Executive directors						
Salaries	**160**	160	**415**	415	**1,870**	2,062
Performance related bonuses						
— long term scheme						
cumulative to 31st March	**—**	—	**202**	53	**890**	243
less cumulative graduated payments made	**—**	—	**(53)**	(9)	**(243)**	(41)
paid in June 1993	**—**	—	**—**	44	**—**	202
payable in June 1994	**—**	—	**149**	—	**647**	—
— one year schemes	**—**	—	**102**	151	**435**	704
Long service payments and other benefits	**10**	10	**10**	10	**110**	118
	170	170	**676**	620	**3,062**	3,086
Pension contributions					**364**	482
					3,426	3,568
Non-executive directors						
Fees					**69**	80
Payments for committee work					**41**	38
					110	118
Total remuneration					**3,536**	3,686

The Chief Executive is the highest paid director.

Pension contributions in respect of the Chief Executive amounted to £172,000 (1993 £193,000), and included £110,000 (1993 £110,000) for an unfunded arrangement. This arrangement is designed to provide the same level of pension benefits enjoyed by other directors and reflects his relatively shorter length of service. No pension contributions were paid in respect of the Chairman in either year.

A payment of £228,000 was made to a former director in respect of loss of office during the year. Long term scheme bonuses include amounts attributable to former directors.

An analysis of remuneration of directors, excluding pension contributions, is shown below:

	Number of directors 1994	Number of directors 1993		Number of directors 1994	Number of directors 1993
£675,001 — 680,000	1	—	£270,001 — 275,000	1	1
£615,001 — 620,000	—	1	£260,001 — 265,000	—	1
£360,001 — 365,000	2	—	£250,001 — 255,000	—	2
£335,001 — 340,000	—	2	£205,001 — 210,000	1	—
£330,001 — 335,000	1	—	£170,001 — 175,000	1	—
£310,001 — 315,000	1	—	£165,001 — 170,000	—	1
£295,001 — 300,000	1	—	£25,001 — 30,000	4	1
£290,001 — 295,000	—	1	£20,001 — 25,000	—	4
£280,001 — 285,000	—	1	£5,001 — 10,000	1	—

Details of share options granted to, or exercised by, directors during the year are shown in note 28.

The remuneration of all executive directors is determined by the Board Remuneration Committee. The Committee comprises the chairman and the non-executive directors.

The executive directors' remuneration package reflects the need to provide incentives and rewards linked to performance and the criteria for measurement of performance in the bonus schemes are as follows:

— a long term bonus scheme was introduced for executive directors with effect from 1st April 1991. This scheme is based upon total shareholder return covering share price movement and dividends paid. Payment of the bonus will depend upon the performance of the company over a four-year period in a league table of other leading companies in the retail and pharmaceutical industries. It provides for graduated payments in respect of the first three years and for the delayed payment of one half of the total bonus due until year seven, or normal retirement if earlier. The maximum bonus which can be earned is two-thirds of salary over the four-year period.

— a short term executive bonus scheme rewards performance in excess of budget. With effect from 1st April 1993 the criteria are return on capital, sales growth and cash flow, which have replaced the earnings per share measure used in earlier years. Maximum bonus which can be earned under this one-year scheme is 35% of salary.

28. Directors' shareholdings

The beneficial interests of the directors and their families in the share capital of the company at 31st March 1994 are shown below. Included under 'ordinary shares' are those held in trust under the company's profit sharing scheme. No director holds any loan capital.

Details of the company's share option schemes are referred to in note 20. Share options allow executives to buy the company's shares at a future date at the market price prevailing a few days before the date of grant, and they therefore provide an incentive to improve shareholder return. Share options have been granted during the year up to the maximum multiple of salary permitted by the Inland Revenue including replacements for options previously exercised.

			Ordinary shares under option						
	Ordinary shares 1994	Ordinary shares 1993	1994	average exercise price	exercised during the year	exercise price	market price at date of exercise	granted during the year	1993
K Ackroyd	**36,228**	35,938	**107,742**	381p	—	—	—	—	107,742
Sir Michael Angus	**1,348**	1,348*	—	—	—	—	—	—	—
Sir Christopher Benson	**21,803**	13,803	—	—	—	—	—	—	—
Sir James Blyth	**15,336**	11,541	**410,943**	404p	3,654	197p	440p	96,971	317,626
P J Davis	**3,068**	2,992	—	—	—	—	—	—	—
A H Hawksworth	**29,297**	23,222	**182,467**	387p	—	—	—	52,500	129,967
G M Hourston	**32,074**	32,003	**115,995**	383p	—	—	—	—	115,995
I M G Prosser	**1,072**	1,072	—	—	—	—	—	—	—
Sir Peter Reynolds	**3,454**	3,454	—	—	—	—	—	—	—
M F Ruddell	**14,213**	14,213	**168,602**	386p	—	—	—	45,000	123,602
G R Solway	**29,632**	27,597	**144,692**	373p	72,035	256p	504p	—	216,727
D A R Thompson	**11,976**	11,976	**214,333**	380p	—	—	—	45,000	169,333
R P Wilson	**2,000**	2,000	—	—	—	—	—	—	—

*at date of appointment

In addition Sir Peter Reynolds has a non-beneficial interest in 1,300 (1993 1,300) ordinary shares.

Directors' holdings on 1st June 1994 are unchanged.

Apart from SAYE options on 1,971 shares granted to Sir James Blyth at 350p, share options granted during the year entitle directors to subscribe for the specified number of shares at 438p per share. Prices shown for options exercised during the year represent the weighted average of prices. The average exercise price represents the weighted average price for options outstanding at 31st March 1994.

Dates from when options are exercisable and expiry dates are shown in note 20. Of the outstanding executive share options at 31st March 1994, approximately 20% may currently be exercised.

Directors' responsibilities statement

The directors are required by law to prepare financial statements which give a true and fair view of the profit or loss for the financial year and of the state of affairs of the company and the group at the end of that period. The directors are of the opinion that suitable accounting policies have been used and applied consistently, applicable accounting standards have been followed, and reasonable and prudent judgements and estimates have been made. The financial statements have been prepared on a going concern basis. The directors have a responsibility to ensure that the company and its subsidiaries have suitable internal controls for maintaining adequate accounting records, for safeguarding the assets of the group, and for preventing and detecting fraud and other irregularities.

Auditors' report

Report of the Auditors to the members of The Boots Company PLC.

We have audited the financial statements on pages 40 to 65.

Respective responsibilities of directors and auditors
As described above, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31st March 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick
Chartered Accountants
Registered Auditors
Birmingham
1st June 1994

Principal companies

	Percentage held by parent	Percentage held by subsidiary undertakings	Country of incorporation where operating abroad	Principal activities
Parent				
The Boots Company PLC				Manufacturing, marketing and distribution of pharmaceuticals and consumer products
Subsidiary undertakings (incorporated and registered in England and Wales)				
A G Stanley Ltd.		100		Retailing of decorative products and interior furnishings
BCM Ltd.	100			Manufacturing pharmaceuticals and consumer products
Boots Development Properties Ltd.		100		Property development
Boots Healthcare International Ltd.	100			Marketing consumer products
Boots Opticians Ltd.		100		Registered opticians
Boots Pharmaceuticals Ltd.	100			Marketing pharmaceuticals
Boots Properties PLC	100			Property holding
Boots The Chemists Ltd.	100			Retail chemists
Childrens World Ltd.	100			Retailing of goods and services for children
Crookes Healthcare Ltd.	100			Marketing consumer products
Halfords Ltd	100			Retailing of car parts, accessories and bicycles and car servicing
Optrex Ltd	100			Marketing consumer products
Subsidiary undertakings (incorporated overseas)				Activities refer to pharmaceutical and/or consumer products unless otherwise indicated
The Boots Company (Australia) Pty. Ltd.	100		Australia	Manufacturing and marketing
Boots Pharmaceuticals S.A. NV		100	Belgium	Marketing
Boots Pharmaceuticals Ltd		100	Canada	Marketing
Boots Pharma S.A.	100		France	Manufacturing and marketing
Boots Pharma GmbH	5	95	Germany	Marketing
Mountgrave Insurance Ltd	100		Guernsey	Insurance company
Boots Pharmaceuticals Ltd.	40		India	Manufacturing and marketing
The Boots Company (Ireland) Ltd	100		Ireland	Marketing
Boots Italia S.p.A.	100		Italy	Marketing
Marco Viti Farmaceutici S.p.A.		100	Italy	Manufacturing and marketing
Boots Investments Ltd.	100		Jersey	Investment company
Boots Pharmaceuticals Ltd		100	Kenya	Manufacturing and marketing
Optrex (Malaya) Sdn. Bhd		100	Malaysia	Marketing
Boots Pharmaceuticals B.V.	100		The Netherlands	Marketing

Principal companies continued

	Percentage held by parent	Percentage held by subsidiary undertakings	Country of incorporation where operating abroad	Principal activities
Subsidiary undertakings (incorporated overseas) continued				Activities refer to pharmaceutical and/or consumer products unless otherwise indicated
The Boots Company (New Zealand) Ltd.	100		New Zealand	Marketing
Boots Pharmaceuticals Ltd.	56.5		Pakistan	Manufacturing and marketing
Boots Pharmaceuticals (Philippines) Inc	100		Philippines	Marketing
The Boots Company (Far East) Pte. Ltd.	100		Singapore	Marketing
Boots Pharmaceuticals (Pty.) Ltd.	100		South Africa	Manufacturing and marketing
Boots Pharmaceuticals S.A.	100		Spain	Manufacturing and marketing
The Boots Company (Thailand) Ltd.	100		Thailand	Marketing
Boots Pharmaceuticals Inc.		100	USA	Manufacturing and marketing
Boots Pharmaceuticals PR, Inc.		100	USA	Manufacturing

All percentages relate to holdings of ordinary share capital.
The Boots group exercises a dominant influence over Boots Pharmaceuticals Ltd., India, which is therefore consolidated as a subsidiary undertaking.

	Issued share capital	Percentage held	Principal activities
Associated undertakings			
Do It All (Holdings) Ltd. (incorporated and registered in England and Wales)	68,500,000 'A' ordinary shares	100	DIY retailer
	68,500,000 'B' ordinary shares	–	
BHC Company (partnership in Bishop, Texas USA)	–	50	Manufacturing pharmaceuticals

All the companies operate principally in the country of incorporation, except Boots Pharmaceuticals PR, Inc. which operates in Puerto Rico.
On 11th May 1994 the issued share capital of Do It All (Holdings) Ltd. was increased to £167,000,000 by the issue of 15,000,000 'A' ordinary shares to The Boots Company PLC and 15,000,000 'B' ordinary shares to W H Smith Ltd. All 'A' and 'B' ordinary shares in issue are fully paid.

Group financial record

Profit and loss account	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
Turnover	**4,167.1**	3,962.1	3,660.3	3,567.0	3,384.8
Operating profit before exceptional items	**485.9**	424.2	402.6	400.9	371.3
Operating exceptional items	**(73.8)**	(3.0)	—	—	—
Operating profit	**412.1**	421.2	402.6	400.9	371.3
Other exceptional items (note 1)	**5.3**	.5	(18.8)	19.7	4.2
Profit on ordinary activities before interest	**417.4**	421.7	383.8	420.6	375.5
Net interest	**(1.5)**	(16.5)	(43.1)	(65.1)	(30.0)
Profit on ordinary activities before taxation	**415.9**	405.2	340.7	355.5	345.5
Taxation	**(126.3)**	(124.4)	(109.7)	(109.0)	(112.1)
Profit on ordinary activities after taxation	**289.6**	280.8	231.0	246.5	233.4
Minority interests	**(1.7)**	(1.7)	(1.5)	(1.9)	(.6)
Profit attributable to shareholders	**287.9**	279.1	229.5	244.6	232.8
Dividends	**(156.0)**	(139.0)	(126.4)	(114.3)	(107.8)
Profit retained	**131.9**	140.1	103.1	130.3	125.0
Total recognised gains and losses					
Profit attributable to shareholders	**287.9**	279.1	229.5	244.6	232.8
Surplus/(deficit) on revaluation of properties	**16.8**	(223.2)	—	—	—
Currency translation differences	**1.7**	34.5	3.3	(27.0)	15.7
Other net gains/(losses)	**.7**	(.5)	13.5	(3.3)	1.0
Recognised gains and losses for the year	**307.1**	89.9	246.3	214.3	249.5
Movements in shareholders' funds					
Recognised gains and losses for the year	**307.1**	89.9	246.3	214.3	249.5
Dividends	**(156.0)**	(139.0)	(126.4)	(114.3)	(107.8)
New share capital subscribed	**9.3**	126.2	52.2	11.8	21.3
Goodwill purchased	**(7.1)**	(1.4)	(2.7)	2.0	(660.8)
Goodwill released on disposal of businesses	**.4**	—	—	—	—
Currency adjustment on goodwill	**(23.7)**	(29.0)	(1.8)	20.9	(9.9)
Increase/(decrease) in shareholders' funds	**130.0**	46.7	167.6	134.7	(507.7)

Balance sheet	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
Fixed assets	**1,514.6**	1,449.8	1,626.3	1,577.3	1,551.2
Investments	**57.1**	70.8	57.5	49.7	3.5
Net current assets/(liabilities)	**380.2**	377.5	18.4	(52.2)	(108.0)
Other creditors	**(306.9)**	(385.0)	(230.6)	(272.9)	(278.4)
Provisions for liabilities and charges	**(29.1)**	(27.9)	(34.6)	(31.1)	(37.1)
Net assets	**1,615.9**	1,485.2	1,437.0	1,270.8	1,131.2
Represented by:					
Shareholders' funds	**1,608.6**	1,478.6	1,431.9	1,264.3	1,129.6
Minority interests	**7.3**	6.6	5.1	6.5	1.6
	1,615.9	1,485.2	1,437.0	1,270.8	1,131.2

Key statistics

Key statistics	1994	1993	1992	1991	1990
Cash inflow from operating activities	**635.9**	549.6	472.2	407.8	527.8
Sales growth	**5.2%**	8.2%	2.6%	5.4%	25.0%
Return on shareholders' funds	**19.6%**	19.6%	18.3%	21.8%	14.3%

Return on shareholders' funds is calculated as profit on ordinary activities after taxation as a percentage of opening shareholders' funds.

Other statistics

Other statistics	1994	1993	1992	1991	1990
Earnings per share	**27.7p**	27.0p	23.0p	24.9p	24.3p
Net cash/(debt)	**69.0**	(203.8)	(362.3)	(472.0)	(541.3)
Capital expenditure	**224.0**	169.0	172.7	164.8	151.1
Research and development	**67.6**	66.8	58.9	53.7	49.0
Debt equity ratio	**—**	13.8%	25.3%	37.3%	47.9%

The debt equity ratio is calculated as the percentage of net debt to shareholders' funds.

Shareholder value

Shareholder value	1994	1993	1992	1991	1990
Dividend per share	**15.0p**	13.4p	12.4p	11.6p	11.0p
Dividend cover	**1.8**	2.0	1.8	2.1	2.2
Share price:					
Highest	**605p**	561p	479p	374p	316p
Lowest	**417p**	403p	359p	249p	252p

Segmental financial record

	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
Turnover, including inter-segmental turnover:					
Boots Pharmaceuticals	**510.5**	480.8			
Boots Healthcare International	**155.3**	146.8			
Boots Contract Manufacturing	**208.8**	195.2			
Boots The Chemists	**2,808.0**	2,663.9	2,471.8	2,360.6	2,268.9
Retail Division					
Childrens World	**84.1**	70.2	63.5	54.6	42.3
Boots Opticians	**102.1**	93.9	84.3	73.8	57.1
Halfords	**357.0**	327.2	306.9	290.1	170.6
A G Stanley	**111.6**	111.6	110.9	114.8	70.2
Share of Do It All/Payless	**194.2**	200.2	203.7	219.4	139.9
Boots Properties					
Development	**20.7**	1.1	5.6	1.0	
Investment	**87.7**	82.9	74.1	65.9	63.0
Operating profit before operating exceptional items:					
Boots Pharmaceuticals	**94.2**	94.4			
Boots Healthcare International	**6.6**	2.6			
Boots Contract Manufacturing	**16.2**	13.1			
Boots The Chemists	**322.9**	285.0	246.2	228.8	190.0
Retail Division					
Childrens World	**(1.6)**	(3.3)	(6.4)	(4.5)	(6.4)
Boots Opticians	**6.7**	6.6	5.7	4.2	2.2
Halfords	**14.7**	4.7	(9.5)	3.3	12.0
A G Stanley	**(.8)**	2.8	6.6	9.7	4.7
Share of Do It All/Payless	**(12.2)**	(14.4)	.2	15.4	11.8
Boots Properties					
Development	**5.8**	(2.3)	4.1	.5	
Investment	**61.3**	56.6	50.7	46.2	39.2
Capital expenditure:					
Boots Pharmaceuticals	**17.2**	22.0			
Boots Healthcare International	**3.4**	5.1			
Boots Contract Manufacturing	**18.8**	18.5			
Boots The Chemists	**91.9**	63.2	62.7	59.4	75.5
Retail Division					
Childrens World	**5.5**	3.1	1.3	4.6	3.6
Boots Opticians	**12.5**	4.6	6.4	5.7	3.1
Halfords	**10.6**	7.7	5.6	13.9	15.1
A G Stanley	**9.7**	6.8	4.7	6.2	3.6
Boots Properties	**54.1**	36.7	45.3	38.7	21.4

Comparative figures for Boots Pharmaceuticals, Boots Healthcare International and Boots Contract Manufacturing are unavailable for years earlier than 1993, as these business segments were not established until that year.

Shareholder information

Annual general meeting
The annual general meeting will be held at 11.00am on Thursday 21st July 1994 at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London. Each shareholder is entitled to attend and vote at the meeting, the arrangements for which are described in the accompanying notice.

Dividend payments
The proposed final dividend (if approved) will be paid on 17th August 1994 to shareholders registered on 16th June 1994. Shareholders will have the opportunity to receive their dividend in shares instead of cash. Details will be posted to shareholders on 27th June 1994.
The expected dividend payment dates for the year to 31st March 1995 are:

Interim dividend	3rd February 1995
Final dividend	August 1995

Results
For the year to 31st March 1995:

Interim results announced	3rd November 1994
Interim Statement circulated	November 1994
Preliminary announcement of full year results	June 1995
Annual Report circulated	June 1995

Capital gains tax
For capital gains tax purposes, the market price of the company's ordinary shares of 25p each on 31st March 1982 was 112.5p.

Low-cost share dealing service
This service offered by Hoare Govett allows shareholders to buy and sell the company's ordinary shares in a simple and low cost manner. For more details write to Amanda Hazle, Hoare Govett Corporate Finance Limited, 4 Broadgate, London EC2M 7LE or for a brochure telephone (071) 601 0101.

Personal equity plans (PEPs)
General and Single Company PEPs in the ordinary shares of the company are available for investors wishing to take advantage of preferential tax treatment in relation to their shareholdings. For further information contact The Plan Manager, National Westminster Bank PLC, Natwest PEP Office, 55 Mansell Street, London E1 8AN. Telephone helpline (071) 895 5600.

Registrar and Transfer Office
National Westminster Bank PLC, Registrar's Department, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH.

Company Secretary and Registered Office
I. A. Hawtin, The Boots Company PLC, Nottingham NG2 3AA. Telephone (0602) 506111. The Boots Company PLC is registered in England and Wales (No 27657).

Analysis of shareholders at 31st March 1994

Shareholders' range	Number	%	Total holding	%
1 – 500	36,286	27.30	8,800,592	.85
501 – 1,000	31,795	23.92	24,156,314	2.32
1,001 – 10,000	60,810	45.75	159,728,299	15.35
10,001 – 100,000	3,289	2.47	80,075,055	7.69
100,001 – 1,000,000	589	.44	189,633,086	18.22
Over 1,000,000	155	.12	578,444,768	55.57
	132,924	100.00	1,040,838,114	100.00

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